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GENERAL

Powell in Ulster Bill clash

A row erupted in the House of Commons last night when the Official Ulster Unionists, led by Kenneth Powell, accused a senior civil servant in the Northern Ireland office, Assistant Secretary Clive Abnett, of being in complicity with the British government in the decision to bring forward the Northern Ireland Bill now before Parliament.

Donovan may go

U.S. Labour Secretary Raymond Donovan may have to resign despite a prosecutor's finding that there was not enough evidence to charge him with links to organised crime.

Briton missing

ITV cameraman Julian Harrison was among six journalists who went missing in El Salvador. They were covering an attack by leftist guerrillas near Suchitoto which left 14 civilians dead.

Mersey crime up

Mercyside had a record number of crimes last year, partly because riots in Liverpool reduced the number of policemen available for normal police work.

French reshuffle

French Industry Minister Pierre Dreyfus, 73, is likely to step down today in the first cabinet reshuffle since the elections last June.

Hinckley 'sheep'

John Hinckley said he was shocked that a jury last week found him not guilty, by reason of insanity, of trying to kill President Reagan.

Torture charges

Four anti-terrorist special policemen were charged in Rome with torturing Red Brigades suspects. They helped free kidnapped U.S. General James Dozier from the guerrillas in January.

'Smuggler' jailed

British archaeologist Ralph Pinder Wilson was sentenced to 10 years' jail in Afghanistan for smuggling ancient coins to London, an Afghan newspaper said.

City bans guns

San Francisco became the first big U.S. city to ban the owning of private hand guns, but acknowledged that enforcement will be a problem.

King through

Twelfth seed Billie Jean King (U.S.) beat sixth seed Wendy Turnbull (Australia) to reach the Wimbledon quarter-finals.

The old country

One Briton in six is of pensionable age, the 1981 census showed. The population grew 0.6 per cent in 10 years, but there were 10 per cent more pensioners and 12 per cent fewer under-16s.

Briefly...

- World Cup: Italy 2, Argentina 1. Pierre Salmaix, dress designer, died in Paris at 68. Milan bank robbers stole about £5m (£2m) from an underground safe. A U.S. judge ordered the release of 2,000 Haitian refugees who entered the country illegally in the last year. Page 4

BUSINESS NY gold up \$3.9; equities gain 7.8

GOLD rose \$2.25 to \$311 in London. In New York the Comex July close was \$315.4 (9311.5). Page 25

COPPER rose 22¢ in London to close at \$783 a tonne, making a gain of \$22.75 since its four-year low at the beginning of last week. Page 25

STERLING rose 95 points on the day in London to \$1.73, but fell to 131 4/8 (DM 4.285). FFY 11.34 (FFR 11.875). SwFr 3.85 (SwFr 3.6675) and Y252 (Y444.5). Its trade-weighted index was unchanged at 91.1. Page 25

DOLLAR fell in London to DM 2.4725 (DM 2.4885). FFY 6.845 (FFR 6.901). SwFr 2.109 (SwFr 2.1235) and Y255.52 (Y433.55). Its trade-weighted index was 121.3 (121.8). Page 25

EQUITIES: the FT 30-share index closed 7.8 up at 552. Page 25

GILTS: the Government Securities index rose 0.34 to 83.01. Page 27

WALL STREET was down 2.47 at 809.36 near the close. Page 26

JAPAN'S exports in May fell 6.3 per cent compared with last year. Page 6

FORB today launches a one-month buy-up (trick) market in South Africa onto a UK market dominated by Japanese vehicles. Page 25

NATIONAL ENTERPRISE Board made a record pre-tax loss of £59m in 1981. Page 10

INMOS, the NEB's controversial micro-chip company, is likely to need an extra £5m-£6m in the coming year. Page 25

UK INSURANCE companies' underwriting losses worldwide nearly doubled to a record £62m last year. Page 6

BANK LENDING in sterling to the private sector rose by a record £7.9bn in the February to May quarter. Page 10

MIDLAND BANK is teaming up with West Yorkshire County Council to provide equity finance for companies in the area.

BRITISH STEEL wants to cut 800 of the 2,000 jobs in its Sheffield stainless steel plants. Page 10

WOOLWORTHS of Australia had annual £820m (£118m) for Grace Brothers, a competitor forces group. Page 23

SUNLIGHT SERVICES launched a £30m reverse takeover bid for Johnson Group Plc. Page 18; Lex, Back Page

ELECTROCOMPONENTS improved pre-tax profits to £15.7m (£14.56m) for the year to March 31. Page 18

TRIDENT TELEVISION reported lower pre-tax profits of £9.95m (£9.26m) for the six months to March 31. Page 18

TECALEMIT, the lubrication system and garage equipment unit, made lower taxable profits of £1.54m (£2.19m) for the year to March 31. Page 18

Table with columns for RISES and FALLS, listing various companies and their share price changes.

Aslef calls indefinite rail strike from midnight Saturday

BY PHILIP BASSETT, LABOUR CORRESPONDENT

LEADERS OF the train drivers' union Aslef yesterday called an all-out indefinite rail strike from midnight on Saturday—less than 24 hours after the rival National Union of Railwaymen called off its strike.

British Rail services were scheduled to return to normal from midnight last night following the formal suspension of the NUR strike—but unless any possible moves to avert the strike called by the Associated Society of Locomotive Engineers and Firemen are successful, the network is likely to be run down again from Saturday afternoon.

TUBE STOPPAGE SUSPENDED

London Underground services should be working today. The National Union of Railwaymen decided yesterday to suspend from midnight last night the all-out strike over new work rosters, writes Philip Bassett.

This follows a similar decision by the NUR annual general meeting in Plymouth to call off the indefinite strike over pay and productivity on BR after only 18 hours and is another blow to Left-wingers in the NUR. It also offers further support to Mr Sid Weighell, the union's moderate general secretary.

Harland & Wolff future depends on winning bulk carrier orders

BY JOHN LLOYD, LABOUR EDITOR

THE FUTURE of the Belfast shipyard Harland and Wolff depends crucially on winning an order for two bulk carriers—with the fiercest competition coming from British Shipbuilders' yard at Govan, Clyde-side.

The order for two 42,000-tonne bulk carriers for a Norwegian company, is now out to tender. Shipbuilders' union leaders believe that the two UK yards are the only serious contenders.

The order, if secured by the UK, would pose a dilemma for the Government, which would have to balance the claims of two areas hard hit by recession and unemployment.

There is little doubt that Harland and Wolff's position is desperate. The yard has one ship almost completed two others to be finished this year and a fourth—a 170,000-tonne

Lloyd's agreement with ITEL

BY JOHN MOORE, CITY CORRESPONDENT

LLOYD'S insurance underwriters have passed a milestone in the settlement of \$500m-worth of computer leasing insurance claims, the largest series of claims in the 300-year history of the Lloyd's market.

ITEL Corporation, the San Francisco based computer leasing company which was crippled by debts of \$1.2bn yesterday announced it had reached agreement with Lloyd's and that all outstanding claims on its insurance arranged with the market had been settled.

In full and final settlement, Lloyd's has paid \$4m, and another \$2m has been released from an escrow account. Lloyd's in turn has withdrawn its own claim for \$190m in ITEL's Chapter 11 proceedings in the U.S. federal bankruptcy courts.

In all, underwriters will have paid out up to \$120m in insurance claims on ITEL's computer leasing insurance business, which represents about a quarter of the total computer leasing insurance business underwriters accepted.

But Lloyd's still faces a long haul before the computer leasing affair is brought to a conclusion. A legal action is due to be heard in the U.S. courts this month between Lloyd's and a U.S. computer leasing company. Another legal action by a computer leasing company in the U.S. against Lloyd's underwriters for a total of \$625m is due to be heard next January.

The computer leasing losses Lloyd's suffered in the late 1970s, arose from the policies which leasing companies arranged to protect themselves against the early termination

Table with columns for International trade, Body scanners, Social affairs, Energy Review, Commercial Law, Gardens Today, Management, Editorial comment, Technology, Survey, and other news items.

Thatcher hints at third union Bill

By Elmer Goodman, Political Correspondent

THE GOVERNMENT seems almost certain to introduce another Employment Bill before the next General Election, making secret ballots of union members compulsory under certain circumstances.

It is likely to be included in the Queen's Speech after next, following a period of consultations. Its precise contents will be influenced by the industrial situation between now and then, but at the minimum it is expected to make secret ballots compulsory for the election of certain trade union officials.

Mrs Thatcher made her wish to have a third round of trade union legislation clear in the Commons yesterday. When pressed by Dr David Owen, the SDP's parliamentary leader, to amend the Employment Bill to increase the provision for secret ballots, Mrs Thatcher said that while such a clause could not be added to the present Bill "I hope one day it will be introduced before the next General Election."

Ministers have not yet collectively agreed to another Employment Bill, although Mr Norman Tebbit, Employment Secretary, warned the unions that he was under pressure to introduce further legislation.

Mrs Thatcher's tone yesterday suggested that the rail strike had reinforced her own belief in the need for tougher trade union legislation.

However, there was some confusion about what she meant. Some Tory MPs in favour of a tougher line with the unions, claimed that what Mrs Thatcher had in mind was a clause making secret ballots compulsory before strikes. They argued that such a clause would have prevented the disruption caused by the rail strike.

In the past ministers have seemed reluctant to introduce such a clause given the problems the Heath government had with a similar provision. Despite the confusion, Mrs Thatcher's remarks raised the expectations of her own backbenchers, many of whom would feel let down if the Government did not come forward with another Bill before the election.

Barclays appeals to staff for Saturday volunteers

BY ALAN FRIEDMAN

BARCLAYS BANK said yesterday it would appeal directly to 50,000 branch employees for volunteers for the opening of more than 400 branches on Saturday mornings.

It said it had failed to reach agreement with the Barclays Group Staff Union about Saturday openings, but was confident that there would be enough volunteers.

The staff bodies had been unwilling to discuss Saturday openings, the bank said. The appeal for volunteers would be delivered to employees at work. "The union doesn't wish to negotiate on the basis of Saturday openings. We have made an offer to the staff and we hope they will pick it up," it said.

Barclays hopes to know by July 15 how many volunteers will accept its offer of up to £40 per Saturday session. The Barclays staff union is considering taking industrial action over the issue and has asked its 35,000 members whether they wish to conduct a "campaign of active resistance." The union represents about half the bank's 70,000 UK staff.

Mr John Quinton, Barclays senior general manager, said. "Continued on Back Page

Big rise in bank loans to private sector, Page 10

EEC calls for softer U.S. line on Palestinians

BY JOHN WYLES AND GILES MERRITT IN BRUSSELS

EEC HEADS of government yesterday called on Washington to be more conciliatory in its approach to the beleaguered Palestinians in the Middle East; and to make stronger efforts to defuse U.S. trade and economic conflicts with Europe.

In two major declarations following the EEC heads of government summit the Community signalled frustration and even anger with U.S. policies, although in more restrained language than some of the leaders wished.

Relations with the U.S. and the crisis in the Lebanon dominated the talks, but government leaders also issued declarations pledging efforts to establish new links with Latin America following damage caused by the Falklands crisis and a commitment to step up promotion of productive investment as a means of combating unemployment.

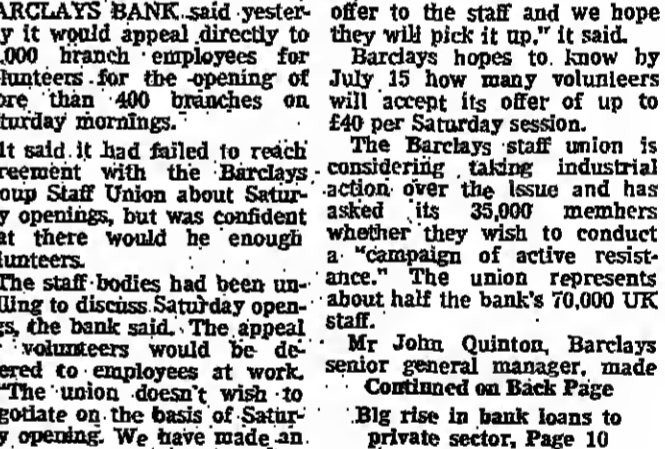
On the Middle East, the Ten wished to persuade the U.S. to press Israel to withdraw its forces around Beirut simultaneously with a withdrawal of Palestinian forces from the western part of the Lebanese capital.

Their joint declaration proposed that the separation of the two forces be controlled by the Lebanese military, supported by UN observers or forces. Mr Francis Pym, the Foreign Secretary, said afterwards this would result in a neutral zone around Beirut.

The summit was vague as to where the Palestinians in west Beirut should be encouraged to go but more explicit on the main approaches to a Lebanese peace and a broader Middle East settlement.

Summit report, Pages 2 and 3 U.S. reaction, Page 6

Our position as Leader is in keeping with the quality of the blend



Our position as Leader is in keeping with the quality of the blend

Advertisement for Bell's Scotch Whisky, including the brand name, 'Quality Scotch', and 'Scotland's Extra Special'.

# Robert Graham on how election fears threaten monetary policy

## Gloom as Spain's economy drifts

THE Bank of Spain has added its voice to the growing concern among bankers and businessmen over Spain's public sector deficit. This has now become the major economic issue, forcing unemployment and lack of private investment into the background.

Sr Jose Ramon Alvarez Rendueles, the Governor of the Bank of Spain, has not minced his words. In his annual address on the Bank's activities he bluntly warned that the public sector deficit was seriously undermining any attempt to pursue a coherent monetary policy. Furthermore, he pointed out that there were limits to the success of any economic policy which relied for its control almost exclusively on monetary instruments managed by the Central Bank.

This warning has been greeted in total silence by the Government, which has not given an authoritative statement on the economy for several months now.

The silence is not surprising. The Government is now totally preoccupied with its own political survival. It is afraid to do anything which might prejudice its chances in front of the electorate or create further divisions within the various factions that make up the ruling Union de Centro Democratico (UCD). With general elections now almost certain to be brought forward from spring next year to this autumn there is a sense of drift and caretaking about economic policy.

So far this year the Treasury has resorted to the Bank of Spain to the tune of Ptas 520bn (£2.7bn), which is more than the budget envisaged for the whole of 1981. Last year, the Treasury's total from the Bank of Spain was Ptas 470bn, while accumulated advances to the Treasury totalled Ptas 671bn.

Part of this is easily attributable to the effects of inflation on nominal salaries, recession hitting tax receipts, increased aid to the unemployed and bigger pay-outs to pensioners — factors which the administration has not had to handle simultaneously before. At the same time, however, current spending continues to be poorly controlled and one huge area — that of the social security budget which is as large as the normal budget — defies unravelling and resists all attempts at rationalisation.



Jose Ramon Alvarez Rendueles, Governor of the Bank of Spain, warned of the Government's monetary policy being undermined by the growing public sector deficit.

Between 1977 and 1981 current public spending has increased 2.4 times, raising its share of gross domestic product, from 24 to 30 per cent. Meanwhile total tax receipts as a percentage of GDP, have failed to keep pace — rising from 23 per cent to 27 per cent.

Perhaps a more alarming statistic is that in the past four years the public sector deficit has more than doubled its share of GDP and now stands at 3.6 per cent. Last year economists were content to say: "It is not so much the quantity of the public sector deficit but the quality." Now talk has switched to the accelerated speed at which this deficit has grown.

There is, in short, need for greater fiscal pressure through increased indirect taxes, reduction of tax evasion through second jobs or by self-employed and rationalisation of tax write-offs.

Tax reforms were introduced in 1979, but Spain remains well behind most European countries in operating a system that seeks a fairer distribution of wealth. Considerable scope exists for raising taxes on prime consumer items, like drink and tobacco, and companies, for instance,

make good use of poor control of export earnings which have important tax write-offs.

Any move to tamper with direct or indirect taxes however, is politically explosive in the present climate. Thus there is a sense of resignation that the public sector deficit will rise, and that the money supply will increase (at present it is two points above the 15 per cent target) with all the inflationary consequences.

As it is the rate of inflation, gradually brought down to more manageable proportions from almost 30 per cent of 1977-78, is moving upwards again. Projections of 12-13 per cent inflation have been revised close to 15 per cent. Spain is over 4 per cent above the average inflation rate of the seven major OECD countries.

This is not because of wages, which have been the one positive feature. As a result of the social contract between the Government, employers and trade unions a 9.11 per cent wage band has been observed. The average settlements in the private sector are around 10.5 per cent. The push has come from prices, especially foodstuffs, and more recently from

the effects of the devaluation of the peseta. In the first six months of the year the peseta declined 16 per cent against the dollar, the bulk of the decline occurring in the past month. The slide has been such as to prompt speculation about new petrol price rises.

The effects of the peseta's depreciation have not only been felt on prices. The authorities have been obliged to mount their biggest support operation of the currency since early 1977.

In the first four months of 1982, the Bank of Spain spent \$1.3bn (£750m) in supporting the peseta, while convertible reserves have fallen by \$1.6bn to \$9bn — the same level as the end of 1978, but with imports costing over a third more. Capital inflows have dried up as a result of high interest rates abroad.

Bank of Spain economists point out that June to the end of September is the period during which tourist receipts provide an influx of foreign exchange and that the total loss to reserves for the year could be no more than \$1.6bn with a 50 per cent balance of payments deficit. But these figures are disputed by the private banks and the peseta is continuing its downward movement.

The mix of political uncertainty, renewed inflationary pressures, doubts about the parity of the peseta and concern over the public sector deficit, when added to the international outlook of continued recession and high dollar interest rates, makes gloomy reading for the private sector. Growth is unlikely to be more than 2 per cent, especially if the drought persists this year for the second year running. This underlines the continuing rise in unemployment.

The hope of providing 350,000 jobs — a basic element in the social contract — to stabilise unemployment has evaporated. In the first quarter, unemployment increased by 74,000 and now tops the 2m mark, 15 per cent of the working population. For unemployment to stabilise now would require an average growth in 1982 of 3.5 per cent.

The unions know this to be a pipe-dream and are starting to become restive. But they are held back by the prospect of an autumn election, reluctant to undermine the chances of a Socialist triumph.

# Community demand for steel falls sharply

By Arthur Smith, Midlands Correspondent

DEMAND FOR steel throughout the European Community dropped by 25-35 per cent from the first to the second quarter, stockholders report.

The extent of the drop has caused surprise and concern, Mr Richard Rawlins, director of Britain's National Association of Steel Stockholders, said last night. The amount of steel "swilling around Europe" would put new pressures on pricing and orderly marketing, he said.

The Club des Marchands, representing stockholders from the 10 countries within the Community, meeting in Brussels last week, reported a slump in orders starting in mid-March. The fall in demand was mainly within the band of 25-35 per cent, but there were variations between products and countries. West Germany and Italy were down by as much as 40 per cent, he said.

The trends identified by stockholders are a good guide to economic activity as they handle around half the steel sold within the Community. The European Commission last week acknowledged the fall in demand by cutting steelmakers' third quarter production quotas by up to 20 per cent from the level of the second quarter.

The Commission forecasts crude steel output between July and September of 26.2m tonnes, compared with 30.1m tonnes in the corresponding period of 1981, and 32m tonnes in the first quarter of this year. Second quarter figures are not yet available.

Even with the proposed cuts in output, the current surplus of steel within the Community will put pressure on the pricing control system under which the Commission requires all producers and most stockholders to post and hold to their prices for most products.

Mr Rawlins said there was serious over-capacity in the stockholding industry, not only in Britain, but throughout Europe. "If the line breaks, there will be a reduction in the number of stockholders," he said.

Companies most at risk were the medium-sized operations, with a turnover of perhaps £2m-£3m. They did not have the purchasing power of the large companies.

# THE EUROPEAN COUNCIL

## Ten demand withdrawal of Israeli invasion force

THE FOLLOWING is the text on the Middle East issued at the European Council meeting:

1—The Ten maintain their vigorous condemnation of the Israeli invasion of Lebanon. They are greatly concerned about the situation in that country and in particular in Beirut. They believe that the present ceasefire must at all costs be preserved.

This ceasefire should be accompanied on one hand by an immediate withdrawal of Israeli forces from their positions around the Lebanese capital as a first step towards their complete withdrawal, and on the other hand by a simultaneous withdrawal of the Palestinian forces in West Beirut in accordance with procedures to be agreed between the parties.

In order to facilitate this withdrawal, the separation of forces would be controlled during this short transition period by Lebanese forces and by agreement with the Lebanese Government, by UN observers or forces.

2—The establishment of a final peace in Lebanon requires the complete and prompt withdrawal of Israeli forces from that country as well as the de-

parture of all foreign forces except those which may be authorised by a legitimate and broadly representative Government of Lebanon whose authority would be fully re-established over all its national territory. The Ten support all efforts for the achievement of these objectives.

3—For the present the Ten have decided to continue their activity to bring relief to the population in distress and, in this context, call on all parties to act in accordance with Security Council Resolutions 511 and 512 and to co-operate with the responsible international agencies as well as with Unifil. They are also ready in due course to assist in the reconstruction of the country.

4—Anxious to initiate, over and above the settlement of the Lebanese problem, the lasting restoration of peace and security in the region, the Ten wish to see negotiations based on the principles of security for all states and justice for all peoples. All the parties concerned should be associated with these and thus should accept one another's existence. Israel will not obtain the security to which it has the right by using force and creating facts accomplis, but it can find this security by satisfying the legitimate aspirations of the Palestinian people, who should have the opportunity to exercise their right to self-determination with all that this implies.

They believe that for negotiations to be possible, the Palestinian people must be able to commit themselves to them and thus to be represented at them. The position of the Ten remains that the PLO should be associated with the negotiations.

The Ten wish to see the Palestinian people in a position to pursue their demands by political means.

Lebanon conflict, Page 6

# Lower interest rates essential to recovery of world economy

THIS IS the communique on United States European Community relations issued yesterday at the European summit.

The European Council had a detailed discussion of the development of economic relations between the European Community and the United States.

In particular, the European Council considered that it was in the interests of the world economy to adhere to the lines of policy agreed by the participants at Versailles. It confirmed its intention for its part of doing so to the full.

It considered that a lowering of interest rates was a prerequisite for the recovery of the world economy and expressed the hope that the U.S. Administration and Congress will take the necessary decisions to resolve the problem of the bud-

get deficit.

So far as trade policy issues were concerned, the European Council confirmed the conclusion of the ministers for foreign affairs, meeting in the Council on June 21-22, with respect to the decisions or intentions announced by the United States concerning steel markets and export and licensing of equipment for inclusion in the gas pipeline, and those concerning the common agricultural policy.

The European Council emphasised its view that the maintenance of the open world trade system will be seriously jeopardised by unilateral and retroactive decisions on international trade.

The European Council therefore considers that it was of the highest importance:

legitimate interest of the Community in the appropriate bodies; in particular the Gatt.

• To make sure that the Community, in managing trade policy, acts with as much speed and efficiency as its trading partners.

• That a genuine and effective dialogue take place between those in the United States and the Community responsible for decisions in the areas of possible dispute. This dialogue should be instituted as a matter of urgency. The Community for its part, is prepared to make a constructive contribution to this dialogue.

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# EEC to revive U.S. talks on steel dispute

BY GILES MERRITT IN BRUSSELS

NEGOTIATIONS between the EEC and the U.S. aimed at settling the bitter transatlantic steel row are shortly to be re-launched by the European Commission as a result of the firm directive for fresh talks issued by EEC heads of government at the end of their two-day Brussels summit.

The U.S. Government has already indicated that it is prepared to entertain new discussions on steel with the Community. Following last week's visit to Brussels of Mr William Brock, the U.S. Trade Representative, Washington is understood to have been considering the framework on which a steel compromise settlement could be based.

EEC member states, the Commission and the Reagan Administration appear to be in full agreement that a solution to the deadlocked steel problem is, a more likely development than a breakthrough over the Soviet gas pipeline embargo by the U.S. that is also severely straining EEC relations with Washington.

There have been reports of a "trade-off" under which the U.S. would modify its extension of anti-Soviet sanctions forbidding U.S. subsidiaries to supply pipeline contracts in return for an EEC acceptance of the latest OECD export credit consensus proposals. But such a pact looks unlikely.

Mr Richard Burt, the U.S. Under Secretary of State-designate responsible for European Affairs, yesterday held talks in Brussels with senior Commission officials. But, rather than discuss details of any such arrangement, he emphasised the importance of ensuring that transatlantic trade tensions should not sour political or defence relations.

The mandate that the European Council, in its communication, has given the Commission to resume the EEC-U.S. talks

# Mitterrand reveals his Gaullist streak

By John Wyles in Brussels

THERE IS more than a touch of de Gaulle about President Francois Mitterrand's style and a strong streak of Gaullism runs through his diplomacy.

Last week in Madrid, he appeared extremely unhappy about the prospect of Spain joining the European Community. Was the vetoing of Spain's application to join the Community by Portugal? Not at all, he told heads of government at the summit which closed here yesterday. France remained politically committed to enlargement but was extremely concerned about the problems it would cause.

French concern thus became the Community's concern and Mitterrand has secured agreement to moves which will almost certainly delay Spanish and Portuguese membership, possibly for years. The two countries had hoped to join on January 1, 1984.

This was beginning to look over-optimistic before Mitterrand launched his tactical assault. It now looks virtually impossible, although Italy, Britain, the Netherlands and Denmark said yesterday they hoped it would still be possible.

What happens next is that the European Commission will conduct a "diligent" examination of the problems associated with Spanish and Portuguese membership. This means that it must look at the possible impact on the common agricultural policy, the emerging fisheries policy, the implications of free movement of Spanish and Portuguese labour as well as at the capacity of the EEC budget to finance a Community of 12.

It is not clear whether France wants to impose a long pause, but it certainly wants the opportunity to impose one. The reasons appear to be threefold:

● France seems increasingly disappointed with the Community and keenly aware of the financial and political problems which will flow from enlargement. How, they are asking, can the EEC bilithely accept two more member states when it has not sorted out how its activities will be financed once the looming ceiling on its budgetary resources is reached.

● Mitterrand has severe domestic political problems with his own Mediterranean farmers who are an important source of left-wing votes but who rightly fear the impact of competition from Spain.

● Previous enlargements have not been a happy experience for the Community. Britain remains dissatisfied nearly 10 years after joining and, within 12 months of its arrival, Greece has been trying to renegotiate its terms. Paris is loathe to contemplate a future in which Spain and Portugal could join the ranks

# Harder line means fewer lines to Moscow

BY ANTHONY ROBINSON IN MOSCOW

THE WESTERN community in the Soviet Union reacted angrily yesterday as the news spread through Moscow of drastic cuts in the number of telephone lines to Western Europe and the U.S.

In Britain's case, lines from the Soviet Union are being reduced from 46 to 14, and from 42 to 14 in the opposite direction.

The Soviet intention to cut telephone links to the West by more than 60 per cent from July 1 had been passed on not to governments but to the various national telecommunica-

tions companies as essentially a technical measure.

Lines will not be restored until the end of 1984, following major repair work, according to the Soviet telecommunications organisation. Some Western diplomats have been told that "staff shortages" were also to blame, although it was not specified whether these were in telephone operators or those employed monitoring calls to the West.

Although lengthy closures for repair work are a prominent feature of Soviet life, few Western residents in Moscow

believe it is beyond the resources of the Soviet Union to maintain its existing direct and operator-dialled network with the West. The real reason is believed to be a desire to curb telephone communications between Soviet citizens and the West.

Trunk dialling was introduced for the Moscow Olympics in 1980. Since then, an increasing number of citizens have maintained contacts by telephone with family and friends in the West and vice-versa. Dissident groups, including the recently formed independent peace

movement, have also been able to put their views across in this way.

The new restrictions run contrary to the spirit and letter of the 1975 Helsinki agreements and Western diplomats suspect that the decision reflects a harder line by the KGB, under Mr Vasily Fedorchuk, its new head, on communications with the West.

At the same time, however, the Soviet passport office granted an exit visa to Mr Josef Klibitski, one of the last of seven hunger strikers who fasted for weeks for the right

to emigrate to join their families abroad. Only one hunger striker is still awaiting permission to leave. He is Mr Sergei Petrov, a 25-year-old freelance photographer, with a wife in the U.S., who joined a hunger strike late and has now fasted for 25 days.

The latest moves appear to represent a two-pronged policy: a more "liberal" emigration policy towards those determined to give up their Soviet citizenship, coupled with less chance of "corrupting" contacts with the West for the vast majority who stay behind.

# Start makes a cautious opening

By Eric Khindaris in Geneva

CAUTION MARKED the opening of the latest round of arms reduction talks between the U.S. and the Soviet Union here, with the U.S. chief negotiator insisting that only a Western arms build-up would keep Moscow at the negotiating table.

General Edward Rovny met Mr Viktor Karpov, his Soviet counterpart, for about an hour yesterday mainly to work out procedures for the negotiations, dubbed by President Ronald Reagan as Start, the Strategic Arms Reduction Talks.

The main event yesterday was the patient hearing given by Mr Karpov to a three-page letter addressed to Gan Rovny by Mr Reagan blaming the "massive build-up of the Soviet Union's ballistic missile force over the past 15 years" for destabilising the strategic relationship between the two super-powers.

Mr Karpov made no immediate comment on the letter or on the talks so far. But officials made clear that Moscow is waiting to see whether Mr Alexander Haig's resignation as U.S. Secretary of State will affect the tone of U.S. positions in Geneva.

# Sharp blow to Italy's chances of compromise on wage indexation

BY JAMES BUXTON IN ROME

THE Italian Government's chances of reaching a compromise between employers and trade unions on the future of the Scala mobile wage indexation system worsened sharply yesterday.

Hours before it was to meet Sig Giovanni Spadolini, the Prime Minister and the three main union leaders, Intersind, the organisation which represents the management of state-run companies, decided to abrogate its 1975 agreement to honour the wage system. It thus followed in the steps of Confindustria, the private sector employers' association.

The positions of the employers and the unions have hardened following the impressive display of union strength in last Friday's one-day general strike.

Several smaller employers' associations followed in Confindustria's footsteps, saying they will stop paying wage rises to line with the Scala mobile from next February when the agreement expires.

Mrs Margaret Thatcher is making a one-day visit to Italy next Wednesday, for talks with Sig Giovanni Spadolini, the Prime Minister, writes James Buxton in Rome. It will provide an opportunity to repair relations soured by Italy's decision in May not to renew the EEC sanctions against Argentina during the Falklands crisis.

Britain may be expected to convey its hurt feelings, but both sides are likely to stress the need for business as usual. Sir Geoffrey Howe, the Chancellor of the Exchequer, and Mr Francis Pym, the Foreign Secretary will also attend.

The Government had been counting on Intersind, which represents the employers in IRI, ENI and other state industrial companies, not to abrogate the agreement. Earlier this month Intersind apparently decided to delay its decision for another four months.

But on Monday night, Sig Ettore Massaccesi, Intersind's chairman, who is also head of the state-owned company Alfa Romeo, was obliged by his committee to abrogate the agreement. He announced his resignation yesterday, saying that the policy he had been pursuing had not been approved by his colleagues.

The Intersind decision was greeted angrily by Sig Gianni de Michelis, the Minister responsible for the state industrial sector, as a "serious obstacle to an agreement." It is believed that the Christian Democrat members of Intersind's board defeated the Socialist Party representatives on the issue.

The hardening of party positions on the indexation issue is mirrored by deepening tensions within the Government on the composition of a new economic package.

An agreement on the future of wage indexation, which is considered responsible for many of Italy's economic problems, should be attainable.

# Sweden shows current account deficit

STOCKHOLM—Sweden had a current account deficit of SKr 3.35bn (£306m) in the first quarter of this year, compared with SKr 2.745bn (£258m) in the same quarter of 1981, according to revised figures from the central bank.

The deficit reflected a higher outflow of interest and dividend payments abroad, the bank said. The balance of interest and dividend payments showed a deficit of SKr 3.7bn (£349m) compared with SKr 2.1bn (£198m) in the first quarter of 1981 and SKr 3.4bn (£320m) in the final quarter of last year.

The bank points out, however, that Sweden's trade balance improved to a SKr 543m (£51m) first-quarter surplus, compared to a SKr 298m (£28m) deficit a year earlier and a SKr 1,063bn (£100m) deficit in the last three months of 1981.

On the capital account, there was a surplus of SKr 741m (£70m), against a SKr 295m (£28m) deficit a year ago. However, the surplus plunged sharply from the SKr 4,171bn (£393m) figure in the fourth quarter of last year, AP-DJ

# Danish demand delays bid for fisheries policy

BY LARRY KLINGER IN BRUSSELS

THE European Community's continuing efforts to establish a comprehensive and durable fisheries policy, yesterday stumbled over a Danish demand for a big increase in its share of the proposed overall EEC catch.

As yesterday's Council of Fisheries Ministers continued into the night, the European Commission was still struggling to prepare quota proposals which Denmark could accept as a basis for negotiation.

Provisional agreement has been struck between Britain and its Community partners on the broad outlines for continued limited access to UK coastal waters, but Denmark's demands have emerged as the biggest obstacle

All delegations last night indicated a willingness to continue talks if there was a chance of a breakthrough.

But there was a growing feeling that, even if the Commission succeeded in drafting new proposals, the Ministers might have to postpone further negotiation to study the details.

Denmark has not publicly spelt out its full demands. But indications emerging from discussions by the member-states' technical experts lasting into the early hours of yesterday were that the Danes are seeking an extra 50,000 tons of prime fish and a greater "flexibility" to adjust quotas on a yearly basis once a common policy has been established.

● Mitterrand has severe domestic political problems with his own Mediterranean farmers who are an important source of left-wing votes but who rightly fear the impact of competition from Spain.

● Previous enlargements have not been a happy experience for the Community. Britain remains dissatisfied nearly 10 years after joining and, within 12 months of its arrival, Greece has been trying to renegotiate its terms. Paris is loathe to contemplate a future in which Spain and Portugal could join the ranks



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# Donovan may be forced to resign despite report

NEW YORK — Mr Raymond Donovan, the U.S. Labour Secretary, may have to resign despite a special prosecutor's finding that there was insufficient evidence to indict him on charges of links to organised crime, according to the head of the Senate labour committee.

Orrin Hatch, committee chairman, a Republican, said that despite Monday's report, "it would be difficult for anybody to hang on to a Cabinet-level position when nearly one-half of the Senate has asked him to step aside."

A White House spokesman said President Reagan had phoned his Labour Secretary to congratulate him. The President was said to be extremely pleased with the report, by special prosecutor Leon Silverman, which said there was insufficient evidence that Mr Donovan had ties to organised crime.

Other White House officials said the report was being carefully studied to see if Mr Donovan had acted improperly. Mr Silverman said he found

"insufficient credible evidence" that Mr Donovan was present at a lunch in which a \$2,000 (£1,116) bribe was alleged to have been passed by an official of Mr. Donovan's Schiavone Construction Company to a union official.

The report also found insufficient evidence that Mr Donovan had given a bribe to a newspaper union official.

At a Press conference at his office in New York, Mr Silverman refused repeatedly to say whether his report gave the Labour Secretary "a clean bill of health."

"I found insufficient credible evidence of wrongdoing. If you want to call that a clean bill of health, that's your business. . . . I don't use words like that."

Mr Silverman also said he had asked the Federal Bureau of Investigation (FBI) to look into the murder this month of Frank Furino, a union official whose body was found after he had testified to a special grand jury on the Donovan case.

Reuter

# Mortgages ruling could hit home sales

By Louise Kehoe in San Francisco

A DECISION by the U.S. Supreme Court regarding the legality of "due on sale" clauses in mortgage contracts is expected to have a major impact on the U.S. real estate market.

The Supreme Court has decided that federally-chartered Savings and Loan Associations have the right to force mortgage holders to pay off their loans when a home is sold.

This aspect of mortgage contracts had been challenged in 19 states, and in California the state court had ruled that it was not enforceable.

This has allowed home sellers to pass on existing mortgages—at interest rates below current rates—to purchasers.

In the currently depressed real estate market, "assumable mortgages," as they are called, along with owner financing of sales, have become the standard method of home financing. Now, these assumable mortgages will not be available from federally-chartered Savings and Loans.

In California about 15 per cent of the home loan issues come from the federally chartered institutions. But many are now expected to switch their charters and become federal associations.

One effect may be to lower interest rates, real estate agents hope. But if, as is now anticipated, the Supreme Court follows this decision with a similar ruling applying to the state registered savings and loan associations, then the impact on the U.S. real estate market could be devastating.

# Jim Rusk, in Ottawa, examines Canada's interim budget In search of lost confidence

IN A BID to restore business confidence in a sagging economy Mr Allan MacEachen, Canada's finance minister, in a hastily prepared budget, eased back foreign investment review requirements and offered a series of concessions to investors. The Foreign Investment Review Agency (FIRA), which has come under heavy criticism recently from a number of foreign governments — including the UK and the U.S.—will have its wings clipped slightly.

Canada remains committed to the goal of insuring that foreign-controlled companies contribute fully to the development of an internationally competitive industrial structure in Canada. Mr MacEachen said, however, that efforts must be made to avoid red tape and extended delays in the processing of FIRA applications.

Four significant changes are being made to FIRA regulations in an effort to speed up and simplify the processing of applications.

First, the threshold for review under small business procedures, which use a short form and are theoretically completed in three weeks, is raised from C\$2m (£900,900) of less in assets and 100 employees, to C\$5m or less in assets and 200 employees.

Second, where control of a foreign-controlled Canadian company changes through the takeover of its parent, the threshold for the use of the short procedure is C\$15m or less in assets and 600 employees.

Third, small business investments are only made subject to the full review procedure in the exceptional circumstance that the proposed investment appears to raise important policy questions for Canada.

Finally, for an application requiring a full review, the Agency's procedures are to provide greater clarity about the interpretation of the act, to simplify its internal procedures and to confine its examination

The main points in Canada's federal budget announced on Monday.

- Budget deficit to rise to C\$19.6bn in 1982-83 compared to C\$10.5bn forecast last November and an estimated C\$12.9bn in 1981-82.
- Government spending to rise by C\$2.6bn from C\$75.5m estimated in November.
- Over 500,000 public sector workers' pay rises to be limited to 6 per cent this year and 5 per cent next year. Private sector to be encouraged to follow these guidelines.
- Threshold for investment projects by foreign companies to be reviewed under foreign investment rules raised from C\$2m and 100 employees to C\$5m and 200 employees.
- C\$2.3bn programme to create jobs and subsidise interest rates for new home buyers, small businesses and the fishing and farming industries.
- Canadianisation of energy assets to be slowed in next few years to ease pressure on the balance of payments, but the target of 50 per cent Canadian ownership by 1990 remains.

to the key elements of the proposals. The Finance Minister also effectively acknowledged that the pace of takeovers of foreign-owned oil and gas companies under the controversial National Energy Programme (NEP) has been far too fast in the past year.

The Government is not backing away from the goal of 50 per cent Canadian ownership of the energy industry by 1990 but, "we do not need, and do not intend, to press the pace of Canadianisation of foreign energy holdings in the years immediately ahead," Mr MacEachen told the Commons.

Mr MacEachen also tabled a series of proposals for major innovations in the tax system designed to reduce both the taxation of investment income and interest rates to borrowers. These proposals will be reviewed by a blue chip committee of businessmen which will report by September 30.

Among the changes to be reviewed are suggestions for a new form of term deposit in which that part of the interest that only reflects inflation would not be taxable, and new plans for common share issues of Canadian companies, in



Allan MacEachen . . . Canada must become a tougher, more resilient society.

which capital gains would not be taxed on that part of the gain that only reflects inflation.

Mr MacEachen did not change the basic fiscal and monetary stance of the last budget, but he announced that the deepening recession has sharply widened the budgetary deficit and has increased the Government's cash requirements. The projected deficit for the fiscal year that began April 1 is now C\$19.6bn, compared with C\$10.5bn predicted in November and C\$12.9bn the previous fiscal year.

Mr MacEachen argued that Canada must become "a tougher, more resilient society. The way out of recession is to bring down inflation and increase productivity." At an annual rate of 11.8 per cent in May, he said, inflation remains too high and, while the Government did not impose a broad system of wage and price controls as it did under similar circumstances in 1975, Mr MacEachen put the lid on the federal public sectors.

Over the next two years, wage increases for 500,000 public servants and employees of Crown Corporation, including Members of Parliament and

# Consensus emerges behind Bignone

By Jimmy Burns in Buenos Aires

THE POSITION of General Reynaldo Bignone, Argentina's President-designate, has been strengthened following a series of intense negotiations between the country's top military leaders.

Reconciliation between the three members of the junta—army chief Gen. Carlos Menéndez, air force chief Brig. Gen. Basilio Lami Dozo, and navy Chief Admiral Jorge Anaya—was close to materialising yesterday afternoon, as they met to discuss the appointment of a civilian vice-President.

The creation of such a post was being widely seen in Buenos Aires as a compromise solution for the junta which is split deeply over the choice of Gen. Bignone. While the President designate has the backing of Gen. Nicolaidis, the navy and air force chiefs have pulled out of government because they favoured a civilian to replace the ousted Gen. Leopoldo Galtieri.

The new consensus which has been forged within the junta follows a successful first meeting last week between Gen Bignone and the leaders of the Argentina's opposition parties.

Representatives of the five party groupings, the Multipartidaria, emerged from the talks reassured by Gen Bignone's commitment to lifting the ban on political activity and holding elections by 1984.

While the assumption of power by Gen Bignone tomorrow has been virtually assured, Argentine politics remain far from stable.

Within the military, divisions persist among lower ranking officers who have become extremely critical about the conduct of the Falklands campaign.

The opposition parties, meanwhile, are conditioning their acceptance of the new Government on its future policies, which are yet to be defined. There were unconfirmed reports yesterday that Gen Bignone had picked Sr. Jose Domingo Pastore as the new Economy Minister.

Sr. Pastore, who served during the presidency of Gen. Juan Carlos Onganía (1966-1970) has a reputation as a "liberal" free marketeer.

Three British journalists who have been imprisoned in Argentina for nearly three months on spying charges arrived in Buenos Aires yesterday morning, after being released on bail from their jail in Ushuaia in Patagonia. Mr Simon Winchester, of the Sunday Times, and Mr Ian Mather and Mr Tony Prime of the Observer, were arrested by navy personnel near the air base of Rio Grande, shortly after Argentina's invasion of the Falkland Islands on April 2.

They are now awaiting permission from the Argentine authorities to leave the country after an initial application to cross the Southern Argentine border into Chile was refused by a local judge.

# Grenada agrees to end row over power station

BY DAVID TONGE

THE GRENADA Government has agreed to pay £235,000 to Britain's Commonwealth Development Corporation to end the three-year-old dispute between the two over the island's only electricity generating station.

The agreement, which should remove a major irritant to British-Grenada relations and open the way to other aid to the hard-pressed island, was announced by the CDC in London yesterday.

The corporation is selling its 50 per cent shareholding in Grenada Electric Services and being compensated for interest and outstanding loans.

The left-wing Government of Mr Maurice Bishop, who seized power three years ago, had long alleged that the electricity company was working against its interests.

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# U.S. judge orders release of Haitians

BY ANATOLE KALETSKY IN WASHINGTON

IN A RULING that could strain U.S. relations with right wing governments in Latin America, a federal judge in Miami has ordered the U.S. Government to release 1,910 Haitian refugees who were put into detention when they illegally entered the country seeking political asylum from the regime of President Jean-Claude "Baby Doc" Duvalier.

Yesterday's ruling follows three months of highly publicised and emotional litigation between the Justice Department and civil rights organisations. It may open the way to further challenges against the Reagan Administration's distinction between the political repression of left-wing regimes, such as those in Poland, Nicaragua and Cuba, and the "economic repression" of right-wing governments in Haiti, El Salvador and Guatemala.

The Justice Department has argued that the Haitians, many of whom have been held in makeshift detention camps and what the U.S. media have frequently described as "appalling" conditions, were free to return at any time to their own country. They were, therefore, not being illegally imprisoned, according to the U.S. Government.

Lawyers for the Haitians contended that many of them would face political persecution at home, but the Justice Department claimed that they were in fact fleeing "economic" not political repression. The U.S. Government fears that acceptance of Haitian refugees could open the floodgates to tens of thousands of refugees from other Latin American countries which are in economic and political turmoil.

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Sealed bids will be received at the above-mentioned address until August 31st, 1982, at 2:00 pm, Rio de Janeiro time.

Each bid shall be accompanied by a bid bond for the amount of US\$ 40,000 (FORTY THOUSAND DOLLARS) or the equivalent in other currencies.

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Consensus emerges behind Bignone

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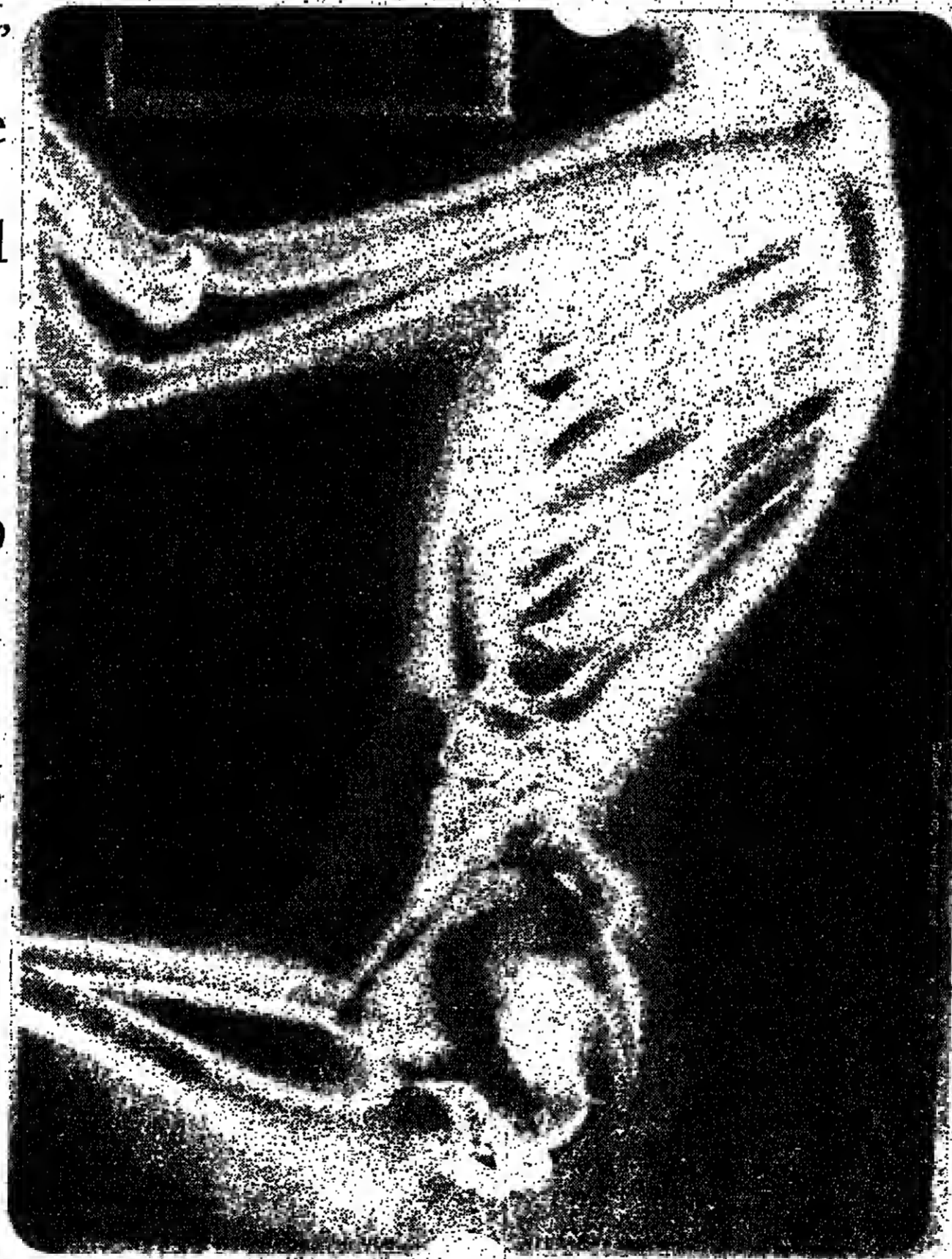
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OVERSEAS NEWS

Reginald Dale, U.S. editor, in Washington, explains the Administration's dilemma over its attitude to Israel's action

Televised corpses fail to toughen U.S. policy

THE AMERICAN people, and the major television networks most of all, felt frustrated at being deprived of direct live coverage of the war in the Falkland Islands. After Vietnam, heamed into living rooms every night, it did not seem like a real war if it could not be gaped at over a TV dinner.

East war. Basically, most Americans believe that the Israelis have every right to seek and destroy the "terrorists" who are threatening their homeland. Americans, on the whole, are supporters of Israel, and they don't like terrorists.

U.S. Government policy reflects a similar dilemma. The Administration privately tends to believe that the eradication of the Palestine Liberation Organisation (PLO) from Lebanon is probably a good thing. The question is how far it can be seen to be openly hacking Israel. Too much support for Israel will obviously antagonise the moderate Arab countries, notably Saudi Arabia, which are enraged at Israel's action, and undermine the whole basis of President Ronald Reagan's Middle East policy.

the U.S.'s ally, and the less blood it spills, the better for American attempts to win other friends in the region. Mr Alexander Haig, the outgoing Secretary of State, was an advocate of the "don't abandon Israel" theory. He saw Israel as a key strategic ally and thought that a public U.S. condemnation of Israel would incite the PLO and reduce U.S. influence in Jerusalem. No Washington politician, either, can dismiss the power of the Jewish lobby, the most effective single political pressure group in the U.S.

referring to Mr Haig first. It continued to make Middle East policy without consulting Mr Haig, by leaking an alleged "pledge" by Mr Menachem Begin, the Israeli Prime Minister, not to send his forces into Beirut.

whole of the Lebanon has become a longer-term objective. It seems fairly clear that Washington did not realise how far the Israelis planned to go when the invasion was first launched. Mr Haig gave the impression that he thought the Israeli forces would stop more or less 25 miles from the Lebanon border after having established a cordon sanitaire to protect northern Israel from Palestinian rocket attacks and infiltration—and that that was perfectly acceptable to Washington.

It is clear, also, that the U.S. still wants to see a stronger central Lebanese Government and a Lebanese army that is in control of the situation and not its hostage. It would be delighted if a stronger Lebanese Government could be brought into the Camp David peace process. Whatever the nuances of the difference between Mr Haig's approach and that of his rivals in the Administration, there is a basic sympathy for Israel's objectives, if not its style.

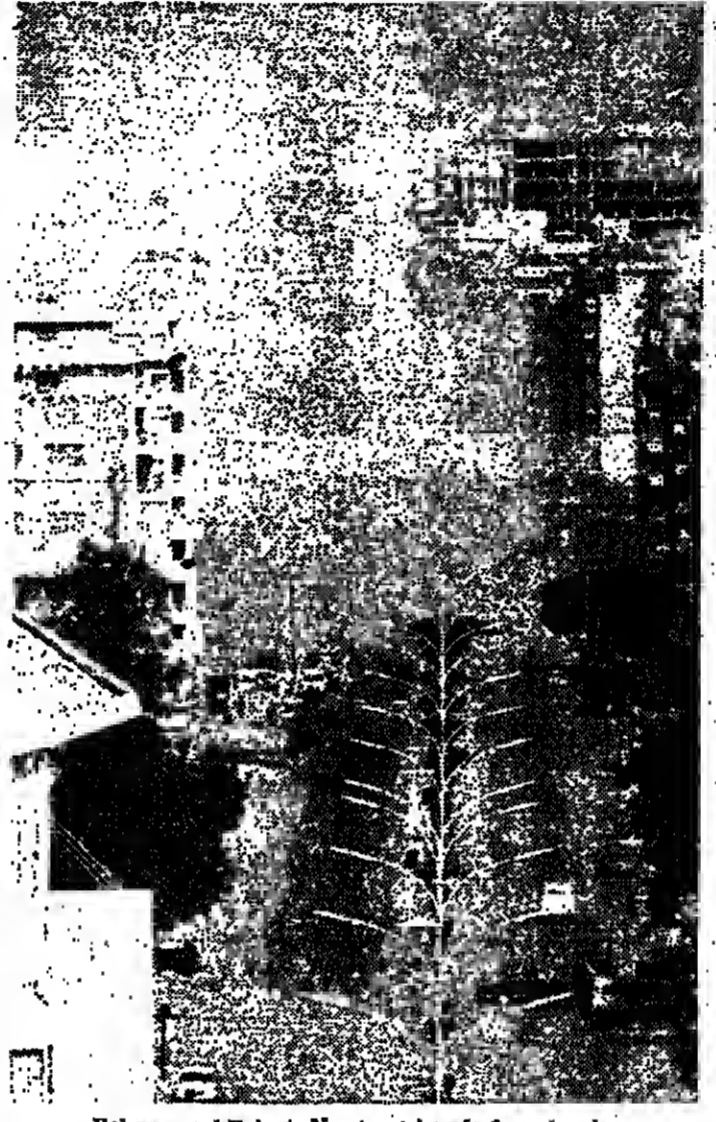
Anthony McDermott looks back on three weeks in Beirut

If you heard the explosion, you've probably survived

THE MOST immediate guide to the level of tension in beleaguered Beirut is the traffic. If the streets are empty—good at nightfall they are now almost instantly deserted—their emptiness and the fear of it, cannot be far away.

amount of protection. An even more persistent part of Beirut life is the bursts of firing from automatic weapons. The shooting often starts without apparent pretext and can reflect an excess of exuberance or just frustration at being stuck in a traffic jam.

direct Israeli artillery fire on to the Palestinian refugee camps of Sabra, Shatila, Fahani and Burj Brajneh in south-west Beirut. Under better circumstances the view would be breathtaking as the coastal plain stretches off southwards to the left past the airport, while to the right lies the dense crowd of buildings which mark west and east Beirut.



Beleaguered Beirut: No street is safe from bombs.

sensitive to changing tensions. There was a brief moment when the refugee trucks resumed their rounds, suggesting that a degree of normality might be returning. Meanwhile Beirut waits. To see whether the hopefully

named National Salvation Council will come up with a pan-Lebanese political formula, whether the U.S. after Haig will change its policy but, most fearfully of all, to see whether Israel will give the go-ahead for its troops to storm the city.

Israeli invasion fuels fear of breakdown in relations with Egypt

BY DAVID LENNON IN TEL AVIV

ISRAEL'S RELATIONS with Egypt are coming under increasing strain because of the war in Lebanon, and especially because of Israel's determination to force a humiliating surrender on the Palestinian leadership in Beirut.

to Israel as "the enemy," and to Israelis as "bloodthirsty." Israeli officials who deal with relations with Egypt are aware that President Hosni Mubarak and the leadership in Cairo feel that their hands are tied by the peace agreements, and that this is preventing them from playing the key role in the Lebanese crisis which they feel their place, as leader of the Arab world would demand.

Discussion on normalisation of relations between the two countries have already been suspended because of the invasion, and officials in Jerusalem fear that a continuation of the current situation could lead to a complete breakdown in relations between the two countries of any content.

Officials in Jerusalem are also concerned about Cairo's clear disillusionment with Washington's inability or unwillingness to change its pro-Israeli stance on the Lebanese crisis. They fear that this will reduce America's power to persuade Egypt to soften its stance on the long-stalled negotiations on autonomy for the Palestinians. They still hope that if the siege of Beirut is resolved diplomatically, then Egypt's broader self-interest in maintaining the peace treaty with Israel will reassert itself.

Japan's exports show 6.3% fall

By Charles Smith, Far East Editor in Tokyo

THE DOLLAR value of Japan's foreign trade contracted sharply in May although the country continued to earn a substantial visible surplus, the Finance Ministry revealed yesterday. Exports fell 6.3 per cent from year-ago levels to \$11.4bn (\$6.5bn) while imports were down 11.1 per cent at \$10.1bn. The export figure was the lowest for any month since November 1980 except for the holiday month of January in which exports always run well below normal levels.

The decline in exports reflects poor demand for Japanese products in a number of major overseas markets, including the European Community, South Korea and Taiwan, where the Government asked early this year to ban the import of 1,500 products from Japan.

Sales to the EEC have been hit partly by the growing web of voluntary restraint agreements. Within Europe there were particularly sharp falls during May in Japan's exports to the UK (down 22.2 per cent in dollar terms, from year-ago levels) and to France (down 21.8 per cent). Sales to the Community as a whole were down 27.4 per cent from the previous year's level.

The sharp fall in Japan's imports which occurred in May reflects the low levels of economic activity that have reduced demand for basic raw materials such as ores and crude oil. Japan's imports of manufactured products held up relatively well. In the first half of June both imports and exports appear to have declined even more rapidly than in May, judging from preliminary figures for trade on a customs clearance basis which were simultaneously issued by the Ministry of Finance.

Advertisement for SHV Holdings N.V. featuring 9% Bearer Bonds of 1982/1990. The ad lists various international banks and financial institutions as agents, including AMRO International, Dresdner Bank, and Goldman Sachs International Corp. It also includes a list of participating banks from various countries like Germany, France, and the UK.

S. African payments deficit rises

JOHANNESBURG — The current account deficit on South Africa's balance of payments reached a record R6.7bn (R3.4bn) on a seasonally adjusted, annualised basis, in the first quarter of 1982, according to the Reserve Bank's June quarterly bulletin.

The deficit totalled R3.947bn for 1981, and R1.266bn in the first quarter of last year on an annualised basis. Capital account figures in the quarterly bulletin point to a record R672m inflow of long-term foreign capital between January and March this year, up from R387m during the whole of 1981.

earnings fell from R10.755bn to R9.430bn. Gross domestic product stagnated in real terms in the first quarter of 1982, after posting a fractional increase in the final quarter of 1981. Industrial production did not increase, while the real value added by the wholesale and retail trade declined. The "moderate" increases in the output of the transport and financial sectors.

Baghdad withdrawal untrue, says Iran

BY OUR FOREIGN STAFF

IRAQ'S ATTEMPTS to disengage itself from the Gulf war with Iran ran into further trouble yesterday when Tehran dismissed Iraqi claims to have withdrawn the last of its forces from occupied Iranian territory as "untrue."

Baghdad's claim, which closely followed a sweeping Government reshuffle and a cut in the size of its ruling Revolutionary Command Council, followed a pledge nine days ago to withdraw in an effort by President Saddam Hussein of Iraq to bring the vitriolic Iranians to the negotiating table.



Mr Raisanjani... "Iraq is telling lies."

Wristwatch radio plan

TOKYO — The Sanyo Electric Company will next month introduce a radio small enough to be carried on its listener's wrist and versatile enough to double as a watch, a spokesman said yesterday. The AM radio, which incorporates integrated circuit technology and it built into a digital watch, goes on sale from late July and will be marketed later in Japan if U.S. sales are promising, he said.



1980 Multitone secure radio pager at Moscow Olympics

WORLD TRADE NEWS

Australia and U.S. sign agreement on anti-trust laws

BY PAUL CHEESERIGHT WORLD TRADE EDITOR

AUSTRALIA AND the U.S. yesterday signed an agreement designed to reduce disputes over the application outside the U.S. of its anti-trust laws. The agreement was signed in Washington by Senator Peter Durack, the Australian Attorney-General, and William French Smith, his U.S. counterpart. Senator Durack described it as "a landmark". The two countries have devised a system of consultation which it is hoped will ease frictions caused by the clash of different legal systems. The clash has meant that Australian companies obeying their domestic laws might be in breach of U.S. law. Problems, notably in the uranium and shipping industries, have arisen because the U.S. claim to apply its anti-trust law to any action having an effect on U.S. commerce. Vigorous Australian resistance to U.S. claims has led in the past to political dispute. Difficulties have arisen because of private anti-trust actions, most strikingly when, in the 1970s, Westinghouse Electric brought billion-dollar suits against international mining companies for alleged involvement in a uranium cartel. These included CRA, Pancontinental Mining and Mary Kathleen Uranium of Australia. Under the new agreement, where private actions are brought by U.S. companies and involve Australia, the U.S. Justice Department has undertaken to inform U.S. courts of the result of the consultations. Thus the judge in the case would be informed if it was agreed the U.S. had no claim to jurisdiction. Australia has also received assurances that information provided to the Justice Department will remain confidential. At the same time, Australia has agreed to interpret more narrowly laws passed with the aim of blocking U.S. claims to jurisdiction. Like the UK and other European and Commonwealth countries, Australia has passed laws to prohibit in certain cases the grant of assistance to U.S. courts by Australian citizens. The agreement was first considered in 1980 in the immediate aftermath of the Westinghouse action. Its signing yesterday indicates a drop in the political temperature over anti-trust although international problems remain in others of U.S. claims to enforce laws outside its borders.

UK whisky exports to Venezuela face threat

By Kim Foad in Caracas

THE UK's one million case-per-year exports of Scotch to Venezuela will be sharply affected by a tax reform bill which is aimed at generating over \$160m (£88.3m) in additional revenues. The tax reform bill—now before Congress—calls for a 15 to 30 per cent sales tax on imported alcoholic beverages. It would replace the previous taxation system based on alcoholic content rather than the price itself. With a bottle of Scotch averaging about \$22.30, a 15 per cent sales tax is expected to further depress Scotch sales in Venezuela. As one of the world's top six whisky consumers, Venezuela imported 1.8m cases in 1980. But last year imports fell to around 1.2m cases, reflecting the economic recessions affecting the South American oil producer. The new tax system is part of a larger package aimed at giving the administration of President Luis Herrera Campins funds to finance a food stamp programme. It would benefit about one quarter of Venezuela's 16.5m population which has a monthly per capita income of \$350 or less.

S. Africa concern over scotch imports

BY JOHN STEWART IN CAPE TOWN

THE INFLUENTIAL Cape wine lobby is exerting strong pressure on the South African Government to check the domestic market penetration of imported Scotch whisky. South Africa is the world's eighth largest importer of Scotch whisky. The retail value of whisky sales in South Africa is in excess of R200m (£105.2m) a year with consumption running at an annualised 19.2m litres. In the last two years the consumption of whisky has been growing at the rate of nearly 20 per cent, reflecting the steep rise in personal disposable incomes during the recent economic boom. Sales of Cape brandy on the other hand, have been growing at a much slower rate, an average of about 5 per cent since 1980. Current consumption is about 39m litres a year. This means that whisky sales are nearly 50 per cent of brandy, compared with 9 per cent in 1947, the year in which Gatt binding with an undertaking not to raise external tariffs against Scotch whisky. As a quid pro quo, South African wine and spirit exports entered Britain at preferential rates of duty in terms of the Ottawa agreement. At the commencement of the Gatt binding Cape brandy had a tax-paid price advantage of 270 per cent over imported whisky. Because of periodic excise duty increases, including one of 23 per cent last year, Cape brandy's tax-paid price advantage has been whittled-down to about 30 per cent. Wine growers complain that the tax component of a bottle of brandy is more than 50 per cent of its wholesale price. In addition to dwindling brandy/scotch sales ratios, South Africa's 6,000 wine growers fear that sales of wine spirit may suffer increased competition from cane spirit, a neutral spirit derived from molasses. Sales of cane spirit are running at an annual 19.7m litres and, combined with the scotch "threat", matching brandy sales. There are compelling economic reasons why wine growers seek to increase disposals of wine spirit at the expense of other spirits. The 1982 wine crop at 856m litres is the fourth successive bumper harvest. The portion of the crop sold during this period as table wine and fortified wine has consistently fallen below 50 per cent of the total wine crop, while the portion consigned to the distilling wine pool has run as high as 56 per cent of the crop. For the good wine or pot still wine portion of the crop growers are paid 36.47 cents a litre. For the distilling wine portion they are paid an advance price of 19.06 cents a litre, with a further 8 cents a litre to follow when the "surplus" portion of the distilling wine crop is finally disposed of. Payment of the deferred portion of the distilling wine price could be held up for 12 months or more, depending on the size of the excess and the rate of disposal on foreign markets. It is, therefore, clearly in the farmers' interests that sales of liquor derived from the grape are maintained at the highest possible levels. Since 1979, when the central controlling co-operative, KWV, obtained 50 per cent in the company that controls Cape Wine and Distillers (CWD), which in turn has 85 per cent of the South African wine and spirits market, wine farmers have asserted strong influence in the distilling business. In the manufacture of gin, vodka and liqueurs, producing merchants may use a neutral spirit derived either from wine or from molasses, both sell at the same tax-paid price even though cane spirit, a chemical by-product, is five times cheaper to produce than wine spirit. Since 1980, however, the use of wine spirit has doubled, possibly because of the influence of wine producers on the board of CWD, the country's largest manufacturer of gin, vodka and liqueurs. Imported whisky is, therefore, a thorn in the flesh of the wine lobby because it has captured a portion of the spirits market that could be served by liquor derived from the grape. The rhetoric against imported whisky has become increasingly militant. It is argued that the 1947 Gatt binding no longer holds good because Britain, by entering Europe in 1973 without negotiating compensatory arrangements for South African wine and spirit exports, to replace imperial preference, abrogated the undertaking. Just as sharply increased common external tariffs against South Africa have militated against its UK exports, a higher import duty on Scotch whisky would not be out of place because it would be in the interests of domestic liquor manufacturers. It is unlikely, however, that the South African Government would resort to such a measure as a retaliatory measure against the raising of barriers against its exports. One method of checking the growth of whisky sales is the imposition of quality controls which lay down strict limits on chemical content and impurities. In the manufacture of brandy, the tax-paid price of 30 per cent matured pot-still brandy and not more than 70 per cent wine spirit or grape spirit. By broadening the base of the rebate, an increase of which can be made administratively—the tax-paid manufactured cost of brandy can be reduced to the level at which it could lure scotch drinkers.

The retail value of whisky sales in South Africa is in excess of R200m (£105.2m) a year with consumption running at an annualised 19.2m litres

Rees steps up pressure for U.S. policy changes

BY OUR WORLD TRADE EDITOR

EUROPEAN PRESSURE for changes in key aspects of U.S. trade policy increases today when Mr Peter Rees, the Minister for Trade, starts a series of meetings with senior Reagan Administration officials and congressional leaders in Washington. Mr Rees has four main concerns:

- The imposition of provisional countervailing duties by the U.S. on European steel imports which, in the case of British Steel with a 40 per cent duty, is seen as shutting the market;
● The extension of sanctions by the U.S. to cover technology and the activities of U.S. subsidiaries engaged on the Siberia-West Europe gas pipeline — a move seen as an unwarranted interference in the economic policy of others;
● The legal definition of the nationality of a company, a matter which has assumed major immediate importance because of the U.S. pipeline action;
● Preparations for the ministerial conference of the General Agreement on Tariffs and Trade, planned for November in Geneva — a process which is thought to be hampered by the latest U.S. moves on steel and the pipeline. Mr Rees will seek in the Department of Commerce to persuade officials that their methodology in assessing the extent of subsidies given to European steel companies was invalid. The U.S. has in effect sought to add up all public funds provided for steel companies and call the total a subsidy, regardless of whether the funds have been used for restructuring or



Mr Peter Rees

not, and base the countervailing duty on the total. But there is little likelihood that the U.S. will change tack on such technical grounds. This will lead Mr Rees to explore again the possibility of a negotiated settlement, presumably involving import quotas. Unless such a settlement is forthcoming it seems likely that U.S. aspirations to use the Gatt ministerial as a launching pad for further trade liberalisation will be blocked by the EEC. Opinion is hardening in London, and elsewhere in the EEC, that the U.S. cannot expect to pose barriers to the steel trade and interfere with Comecon trade and expect at the same time a great readiness to embark on programmes for services and high technology trade liberalisation.

Japan, Canada may turn to Gatt over car imports

BY RICHARD C. HANSON IN TOKYO

JAPAN and Canada see both threatening to turn to the Geneva-based General Agreement on Tariffs and Trade (Gatt) to resolve their worsening trade relations over car imports. The seriousness of the dispute was revealed yesterday when Mr Shintaro Abe, the Japanese Trade Minister, claimed that Canada was violating Gatt rules by delaying the disembarkation of Japanese cars at the West Coast port of Vancouver. But Canada has hinted it also may invoke the Gatt "safeguard" clause against excessive imports if Japan does not agree to lower its car shipments this year below the ceiling agreed last year by the two countries. Canada wants Japanese car imports held at 146,000 units,

well below the 174,000-unit guideline given by Tokyo to Japanese manufacturers last year. The Canadians are citing the weak state of their economy as justification for the cut. Japan's position is that exports he allowed at the same volume this year. Talks on the subject were held at the Ministerial level during the Versailles economic summit. The two sides failed to reach an agreement. Japan last year agreed to limit its exports for the calendar year 1981 to a rise of 10 per cent. On a Japanese fiscal year basis April 1 to March 31—Japan's shipments to Canada for the year fell below the previous year's volume (to 174,000 from 216,000) but Japanese producers still have captured about a quarter of the Canadian market.

India decides to cut imports of fertilisers

BY K. K. SHARMA IN NEW DELHI

THE INDIAN GOVERNMENT has decided to cut imports of fertilisers following a build-up of inventories as demand from farmers continues to show a sharp decline. Fertiliser imports are one of the main reasons for India's large annual trade deficit of over Rs 57bn (£3.5bn). The Government had planned to import 5.25m tonnes of fertilisers, mainly urea, this year, but this is to be reduced to about 3m tonnes, leading to a saving of nearly Rs 3bn in foreign exchange. The larger quantity of

imports was planned following the rise in fertiliser consumption by 6 per cent in 1981 over the previous year. The Airport Authority of India, a Government-owned company, has been asked to design and build airports at Batna and Setif in Algeria at a total cost of about \$100m (£55.5m). The company and Enema, the Algerian authority handling airports, have signed a memorandum of understanding on the contract, the biggest to be won by the Airport Authority of India abroad.



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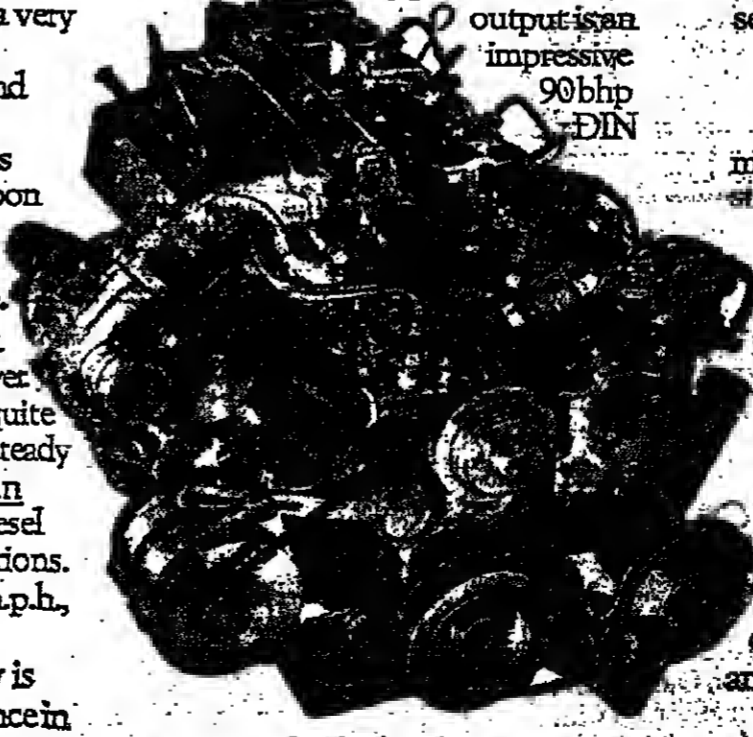
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ENERGY REVIEW

# TransCanada tries to shift a gas burden

By Richard Johns

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In accordance with Provision 5(a) of the Listing Agreement signed by the Company in August 1979, notice is hereby given to Noteholders and Couponholders that the Audited Accounts 1981 of the Company and the Annual Report of its Parent Company, Trade Development Bank Holding S.A., are available for inspection at the offices of the Principal Paying Agent, Citibank, N.A., 111 Wall Street, New York, and of the six Paying Agents.

Amount of the Notes at present outstanding: US\$ 35,000,000.

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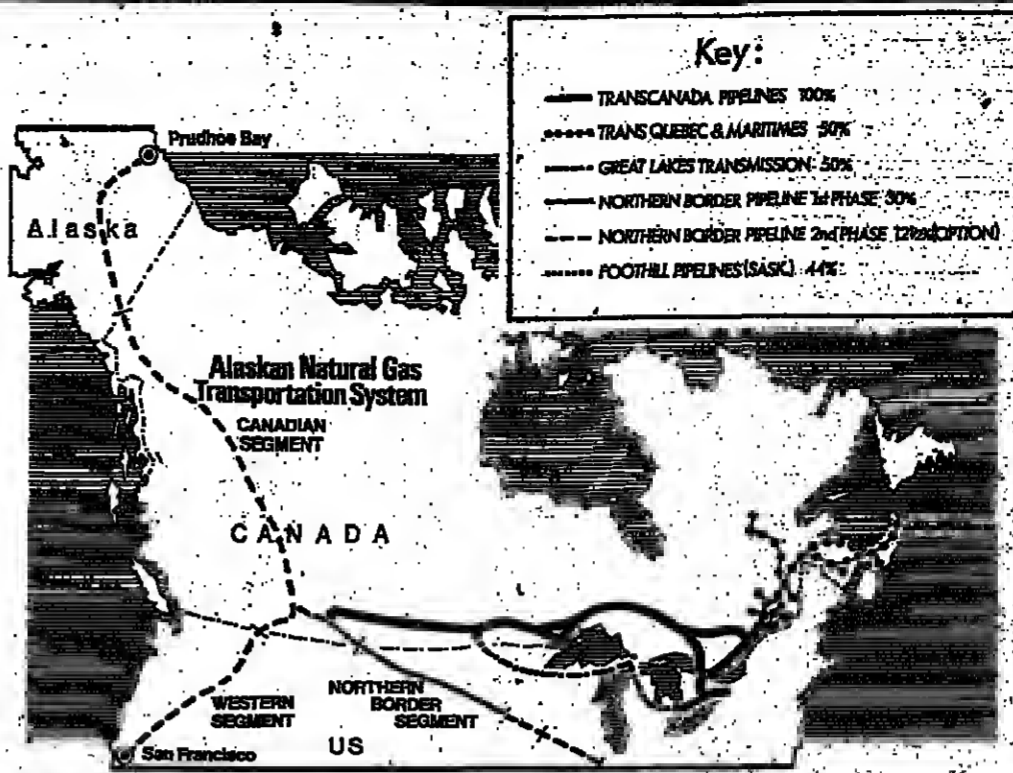
By: Trade Development Financial Services N.V.

A CONSORTIUM of banks known as Toggas and led by the Canadian Imperial Bank of Commerce and Citibank is on the verge of finalising on behalf of TransCanada Pipelines what must be a unique piece of inventory financing. The package is designed to fund a stockpile of gas accumulated over the past five years, purchased under contract but still in the ground because it could not be marketed. It should effectively eliminate an item which has grown remorselessly in the balance sheet of Canada's biggest gas transmission company and has come to threaten its ability to raise the capital required for its big investment programme.

The item in question—payments on future gas supply—relates to a volume of gas equivalent to something like 70 per cent of TransCanada Pipelines' current sales volume—formally an asset but a very idle and unremunerative one at a time of stagnant demand for energy. The problem arises from a "take or pay" system, prevalent in the natural gas industry and especially so in North America, whereby the carrier is obliged to pay for contracted quantities of gas regardless of whether he can sell them. It derives from the need to assure a return on the producer's investment.

Normally, such deals work well enough. Any shortfall in demand from below contracted volumes from scheduled output of a Liquid Natural Gas plant geared to a particular customer's needs would normally only be a matter of seasonal swings and corrected later. The problem of a surplus has only come to exist on any great scale in the U.S. and Canada. In the latter it has been compounded by the activity of the federal regulatory authorities on either side of the border, the discre-

Over the past five years, TransCanada Pipelines has accumulated a huge quantity of gas that remains in the ground because it cannot be marketed. Now a consortium of banks has worked out a deal to ease the potential handicap on TransCanada's power to borrow for capital developments.



pancy in prices set by the respective authorities, and the political restraints so far imposed on exports by the Canadian Government.

For the most part contracts with Alberta's producers were entered into at a time when an unchecked expansion of demand seemed almost inevitable and risks undertaken by transmission companies appeared negligible. Some of TransCanada Pipelines' contracts date back to the mid-1950s. The lift given to a commitment to buy 1bn cubic feet per day for every 10bn cubic feet of reserves so that, with development of the fields, obligations automatically increased.

TransCanada can be recovered to service the debt. But this has been given hitherto only on a monthly basis—hardly an ideal procedure for either TransCanada or its bankers.

An average interest rate of 22 per cent for the financing has not in itself been a burden because interest and dividend payments—amounting last year to C\$141.5m (about \$63.7m)—have been recovered with the approval of the Alberta Petroleum Marketing Commission from "cost of service". An effect, expenditure on producing gas and pumping it to the Alberta-Saskatchewan border where the total price is determined.

The immediate and obvious source of increasing concern has been the lack of any return on prepayments and, related to it, the uncertainty over the prospects for several export agreements with U.S. distributors which could substantially run down the accumulated gas.

With such a significant portion of total assets negatively tied up in this way, there has been parallel anxiety in the boardroom about the implications for TransCanada's position in the financial markets, not withstanding improved results in 1981 when earnings per share were up 30 per cent and again in the first quarter of 1982, when net income rose by 49 per cent.

TransCanada seems to have overcome the nervous flutter which hit its bonds in May on account of the troubles of Dome Petroleum, owner of a 47 per cent stake in TransCanada. The Euromarkets now seem reassured that there is no way in which Dome could bleed the company.

Last year TransCanada raised about C\$1.36bn in external financing and for the first time entered to the tune of C\$175m the Eurodollar market where it was active again early this year.

As yet, the accumulation of future gas supplies has not affected the company's fund-raising power on the market, according to Mr Neil Nicholls, vice-president for financial affairs. But he readily concedes that its presence on the balance sheet must soon "dilute our ability to issue securities for other purposes."

Obligations

TransCanada's first payments on "future supply gas" first appeared in its balance sheet for 1977 when a modest allowance of C\$7.5m had to be made. By 1980 the figure had grown to C\$485m.

The majority of the 850 or so producers were persuaded to waive 20 per cent of purchase obligations for the contract years ending October 31, 1981 and 1982. As it was, disbursements on unutilised gas totalled C\$1,013bn (\$734m), or 22.5 per cent of the company's assets. The gas aggregate amounted to nearly 20bn cubic metres, rather less than 70 per cent of the sales volume in 1981. The latter, in turn, amounted to a similar proportion of TransCanada's reduced lifting obligation. By the end of the current contract year the accumulation is expected to increase to 24bn cubic metres.

Last year the volume of the company's annual sales were only marginally up at 29.69bn cubic metres or 2.87bn cubic feet per day. Those in Canada increased by 4 per cent to 23.56bn cubic metres but exports to the U.S. fell by 12½ per cent to 6.52bn cubic metres. At the same time the Canadian National Energy Board approved a higher rate of return on its utilities of 12.63 per cent, compared with 11.1 per cent before. This year the rate has been raised to 15.75 per cent.

TransCanada is not alone among the major gas purchasers to find itself weighed down by a heavy burden of prepayments. But only one other company, its rival, Alberta and Southern, has found itself saddled in a comparable way. It, too, has been transporting only 70 per cent of its "take or pay" obligations, according to the Canadian National Energy Commission.

Until the end of last year the financing of the prepayments was made 70 per cent through term bank loans and 30 per cent through the public issue of retractable preferred shares. In line with the peculiarities of both the industry and the situation, the guarantees obtained by the banks have been somewhat unorthodox. Security for the loans has rested on no more than the assurance by the Alberta Government that a proportion of carrying charges on

Expansion

TransCanada has ambitious plans for expansion. In 1981 the company invested C\$533m in extending and approving its gas transmission systems. The system Trans Quebec and Maritime Pipeline, in which it has a 50 per cent share, is being extended. A loopline on its main trunk system from North Bay to Ottawa is under construction. The Northern Border Pipeline, First Phase, thrusting into Minnesota, in which it has a 30 per cent interest, is nearing completion.

More ambitiously, TransCanada is pursuing studies in the King Christian Island LNG project with the aim of shipping 5bn cubic metres a year to

West Germany and is still anxious to acquire an interest in the Western LNG scheme, which would involve a slightly bigger volume of exports from British Columbia of gas to Japan.

In the spring TransCanada achieved a prerequisite for the new financial arrangement. It negotiated an agreement with 98 per cent of its gas producers using its pipeline systems on a further reduction in its contractual "take or pay" obligations to 60 per cent of the original level set by reserves. Its return for the C\$1.3bn. The much-needed cash infusion is being provided by an enlarged banking consortium. The effect of a complicated transaction would be to consolidate one debt of C\$2.3bn, including prepayments made up until the end of 1981 and to remove from the company's asset sheet the gas involved, but TransCanada would be left with C\$850m, equivalent to the equity finance raised for prepayment in cash, for its development programme.

The new liability will be serviced by a proportion of the carrying charges which will amount to about one-tenth of revenues accruing from actual deliveries. This will be paid directly to the banking consortium by the producers. An end-1984 deadline has been set for settlement of the debt—which TransCanada describes as the "worst scenario". The company does not expect to operate below 70 per cent of its original contractual obligations.

Thus, it is hoped that the need to make prepayments will be eliminated completely. All that is now required is for the Alberta Government to authorise the recovery of carrying charges for the full duration of the 12-year agreement. That is confidently awaited. "It will give a regulatory assurance providing the certainty that these carrying charges associated with the prepayment will be recovered," says Mr Nicholls.

To do so, TransCanada, like its rivals, must find new outlets to keep pace with annual additions to reserves, of which its own increased 10 per cent last

year. It, too, is looking mainly to the U.S. export market and faces the same difficulties posed by a conservationist Canadian Government determined to adhere to a border price of \$4.94 per cubic foot, in line with prevailing world levels. But more than double the average U.S. well-head rate of only \$2.287 last December. Hopes have been raised by the National Energy Board's acknowledgment of the existence of a substantial "strut" surplus and the more recent decision in May to facilitate a greater flow of exports.

TransCanada and the rest are still waiting to see how much more will be made available and which of the 30 or so applications submitted will be approved. Of special significance to it is the fate of an agreement with the Boundary Febrary Ryder agreed to keep Gas consortium of 14 companies including Consolidated Edison, Brooklyn Union and Long Island Lighting, under which 18bn cubic feet per day supplied by U.S. would be distributed to the north-eastern states of the U.S., with the target date for the start of deliveries set for the end of 1984. That would involve an investment by TransCanada on its side of the border of \$750m. For this region of the U.S. far removed from indigenous sources, the Canadian price is by no means prohibitive.

The U.S. Department of Energy has given general approval to imports from the north. Procedures are further forward in the U.S. than in Canada. Boundary Gas seems confident and the Federal Energy Regulatory Commission cautiously endorses the option, but warns against the strength of the opposition from fuel oil dealers.

The National Energy Board's hearings in Toronto start in two weeks' time with perhaps a more



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# Britain may be 'land-bridge' for Norwegian gas

BY RAY DAFTER, ENERGY EDITOR

BRITAIN may be used as a "land-bridge" for Norwegian gas destined for continental markets under outline proposals being considered in Whitehall.

The Government sees greater co-operation in the North European gas trade as a means of increasing supplies to the UK.

Mr Nigel Lawson, Energy Secretary, made this clear in discussions in Cambridge at the annual meeting of the International Association of Energy Economists.

In the past British Gas has opposed a pipeline across the English Channel in case this led to a drain on UK reserves.

The Government now believes that channelling North Sea gas from the Norwegian sector through Scotland and England to the continent could provide the UK with benefits.

Some of the Norwegian gas could be kept in Britain, either under normal contract arrangements or as recompense for the construction and operation of the "land-bridge."

One of the first Norwegian fields which could be linked to the Continent in this way is the big Sleipner discovery, containing about 7 trillion (million million) cubic feet of reserves. Statoil, the Norwegian state oil corporation, is considering the potential markets for Sleipner gas. A decision should be taken in the next 12 months. Even larger reserves in Norwegian Block 30 are also interesting UK gas interests.

Mr Lawson said that while the UK Government was interested in a land-bridge concept there was no immediate intention to allow the export of UK gas, as sought by some North Sea operators. He said present reserves were insufficient, but it was possible that exports would be allowed if substantial new reserves were discovered.

The UK's proven reserves of

gas are 23 trillion cubic feet, sufficient to meet the current level of domestic demand (1.7 trillion cubic feet a year) for only 13 years. But Mr Niall Trimball, an economist in the energy policy division of British Gas Corporation, claimed yesterday that there was a possibility of a further 20 trillion cubic feet being exploited from other, unconfirmed discoveries in the North Sea. He said British Gas reckoned these resources were contained in 69 "potential sources" of natural gas on the UK Continental Shelf.

Mr Trimball said that in spite of complaints from oil companies the prices paid by the Gas Corporation for North Sea supplies had not hit the pace of exploration. He accepted, however, that the impact of activity was "not so clear cut."

Qualified support for the Government's North Sea oil tax system—highly criticised by the offshore industry—was given by Mr Alexander Kemp, Reader in Economics at Aberdeen University. He pointed out that the tax structure was less onerous than conditions in many other parts of the world.

In an analysis of 11 oil producing countries Mr Kemp pointed out that the top rate of UK taxation was 89.5 per cent, but the level of taxation paid depended greatly on the type of field exploited.

On large fields developed at a relatively low cost, UK operators were taxed more heavily than most. Only Nigeria, Norway and Malaysia applied tougher tax measures. On small fields developed at a high cost UK operators were taxed more leniently than by eight other countries.

Mr Kemp said that in general UK tax levels were "progressive," compared with the tax systems in Malaysia, Nigeria, Egypt, Alaska and Norway, which were "regressive" and discouraged exploration.

# Robin Pauley looks at the effect of rate increases on a family manufacturer of office furniture

## The rising cost of business survival in city centres

A FAMILY company which is losing money in the recession after building up its manufacturing, distributing and showroom network in 14 centres in England and Scotland, faces a rates bill of more than £250,000 for 1982-83.

The bills vary from £250 per employee in Blackburn to £2,817 per employee in Milton Keynes.

Mr David Matthews, a director of Matthews Office Furniture, a company established in 1948, has written to the 14 councils in which his company pays rates protesting about the increasing burden and suggesting that if it continues it will make the future viability of city centre showrooms in particular almost impossible.

The company has its headquarters in Liverpool with premises in six other metropolitan districts, two London boroughs, two shire districts, a new town and two Scottish cities.

In all cases the rates bill comprises both the local rate based on the borough in which the premises are located and a usually much larger portion payable to the second tier county or regional authority.

In Milton Keynes and Camden, for example, the local portion of the rate is lower this year than last, but in both cases the second tier precept from Buckingham and from the Greater London Council and

David Matthews wrote to the 14 councils in which his company pays rates and uncovered anomalies in the target system of apportioning government aid.

He argues that rate increases are making city centre showrooms unviable for businesses which cannot survive without them.

Inner London Education Authority rose.

Camden's local cut was large enough to reduce the overall rate impact for Matthews by 5 per cent compared with last year. But the company's other rate bills rose by between 2.97 per cent in Birmingham and 18.15 per cent in Sheffield.

Mr Matthews argues that his company, based in Merseyside, is having to control every cost possible to weather the recession without making people redundant. It has kept all controllable cost rises below the inflation rate but those outside its control—local authority and nationalised industry charges—

Council area in which premises located	annual rent £	rate in the £ 81-82 (figures in pence)		rate in the £ 82-83 (figures in pence)		Total rate bill £ 82-83	% increase over 81-82	Rate bill per employee £
		local	total	local	total			
City Camden	36,950	29.4	117.0	37.25	143	23,792	18	2,643
Liverpool	28,000	75.8	179.6	67.62	192.4	17,903	-5.1	1,790
St Helens	139,000	132.6	167.1	144	198	19,246	14.2	801
Manchester	8,000	137.3	171.8	140.77	194.77	85,775	9.5	953
Leeds	9,473	172.2	205.2	186.2	228.2	6,590	11.2	659
Sheffield	4,750	103.1	131.2	117	161.5	4,637	15.3	1,106
Birmingham	27,000	154	211	181.8	251.6	7,578	19.2	1,263
Coventry	9,650	111.3	142	125.5	165.8	12,388	2.97	1,548
Blackburn	1,000	119.6	150.3	135.7	176	4,623	6.5	1,325
Milton Keynes	100,000	26.3	139.8	37.0	163.5	1,000	12.2	250
Oxford	7,500	20.9	137.9	19.7	167.8	42,266	7.2	2,817
Glasgow	9,350	11.4	128.4	18.7	150.2	2,367	13.4	789
Edinburgh	15,000	48	136*	58	160.0*	10,974	17.4	1,829
		22.5	143.5*	24	149*	8,666	3.9	1,444

\* includes water charges

have been higher than the inflation rate in most cases.

Mr Matthews asked each authority how much money it lost in 1982-83 in government grant through budgeting to spend more than the Government's target. Camden receives no grant because of its exceptionally high rateable resources but other areas lost substantial amounts—Sheffield lost £5.9m for 1982-83 because its budget is £17.9m over target, Liverpool lost £3.5m and St Helen's £2m.

In many cases there is a double ratepayer impact through grant loss because the

benefit second tier is also being penalised. This applies in all metropolitan counties, for example.

There has been widespread criticism of the target system and the Government's method of assessing how much a council needs to spend to provide a standard level of services. The systems are still heavily flawed and full of inconsistencies which will take several years to clear up.

One result at the moment is that a large number of councils are judged to be underspending on one set of criteria and overspending on another. Rate

increases in the Matthews areas are not necessarily related proportionately to the spending policies of the councils this year and last year.

Matthews pays a total £426,673 in annual rent including notional rents calculated for owned properties. One of the largest rent and rate bills is in Milton Keynes which is a distribution centre employing only 15 people. It was planned in 1978 for the "decade of North Sea oil" and opened in 1980 just as demand started to dwindle. It is now an expensive holding operation awaiting an economic upturn.

Although a more usual calculation of rates per square foot of commercial space would give different results Mr Matthews is calculating rates per employee because he regards jobs as the key in a company losing money during a recession.

Mr Matthews argues that rates make city centre showrooms unviable, but his is one of many types of business which must have showrooms in city centres, close to commercial and office developments.

His search for a low spending, low rating, unpenalised town centre in a second-tier authority which is similarly low rated, on target with its spending and unpenalised will take him far away from any metropolitan area.

He would probably have to go to a small town in a rural shire which is unlikely to generate the same turnover in office furniture sales as a prime city centre location.

Mr Matthews notes two other problem costs. One is water charges which have nothing to do with local authorities, but will cost £21,520 this year compared with £19,232 last year.

The other is the charge for collection of commercial refuse by Liverpool City Council. This brings a bill of £162.24, plus £23.72 for the weekly emptying of six bins—a council straw which Mr Matthews feels is helping to break the commercial camel's back.

# BT telephones on sale through rival outlets

BY GUY DE JONQUÈRES

BRITISH TELECOM (BT) yesterday made available for sale through competitive retail outlets most of the telephones which it sells and rents.

More than a dozen telephones in BT's "special range" are covered. Most are styled "decorator" models, which BT sells at retail prices from £49.95 to £156.75.

BT said that it was also releasing for private sale its standard range of "700" series telephones, which have been available only from BT on rental. No price has been fixed, but the telephones are expected to cost about £20.

BT's telephones go on competitive sale this year. It said that the latest decision was intended to help the Government's telecommunications liberalisation programme.

BT's telephone suppliers are

Ferranti-GTE, the General Electric Company, Gfeller of Switzerland, Northern Telecom of Canada, Plessey, Standard Telephones and Cables, Thorn, Ericsson and TMC.

Computers are helping to clear coins more quickly from public telephone kiosks in London. A new BT system, called "All Change," enables coinboxes to be cleared as often as six times a day.

Jammed, dirty or damaged payphones and coinboxes are reported by "All Change." It monitors the 10,800 London kiosks and counts the coins collected from them, amounting to about £380,000 a week.

"All Change," installed in a Telecom building, will save about £3m a year, the sum BT paid to the Post Office for collecting and counting the cash.

# Airline order worth £3.8m for Belfast

By Michael Donne, Aerospace Correspondent

COMAIR, the U.S. regional airline based at Cincinnati, has ordered two Type 330 twin-engine commuter airliners from Shorts of Belfast, worth \$6.5m (£3.8m).

This deal brings to 111 the number of 330s ordered by 34 airlines in 14 countries, of which 84 have been delivered—54 of them to airlines in the U.S.

The 30-seat airliner is designed for short-range routes, serving rugged airfields in small communities as well as high-density traffic routes.

Since entering service in 1976 the 330 has carried nearly 5m passengers, and flown over 325,000 hours. New versions of the aircraft on offer include the "Statesman," for business and executive travel, and a military utility transport model.

# Clearance for commuter airliner

By Our Aerospace Correspondent

THE British Aerospace Jetstream 31 twin-engine commuter airliner has been awarded its Certificate of Airworthiness by the UK Civil Aviation Authority, clearing the way for deliveries to customers. Certification by the U.S. Federal Aviation Administration is expected soon. The aircraft is designed with the U.S. regional airline network in mind as a major potential source of orders.

So far there are firm orders for six aircraft, with four more on option and letters of intent for another seven aircraft. Further contracts and letters of intent are in negotiation. First deliveries are due in August. Production of at least 17 aircraft is now under way at the British Aerospace Prestwick (Ayrshire) factory, but additional production batches of aircraft have already been authorised.

# Centrepoint damages

THE BBC agreed in the High Court, London, yesterday, to pay "substantial" damages to Mr Harry Hyams, the financier, over a repeated allegation that he deliberately kept the Centrepoint tower block empty for years to increase its value.

Mr Richard Rampton, his counsel, told Mr Justice Forbes that since the Central London block was built in 1966 the untrue allegation as to why it remained unoccupied was made repeatedly.

The BBC had made the allegation six times between 1972 and 1974. Mr Hyams had sued the BBC twice and the BBC had apologised in court.

The BBC had repeated the allegation in a Nationwide programme on May 19, 1980 and

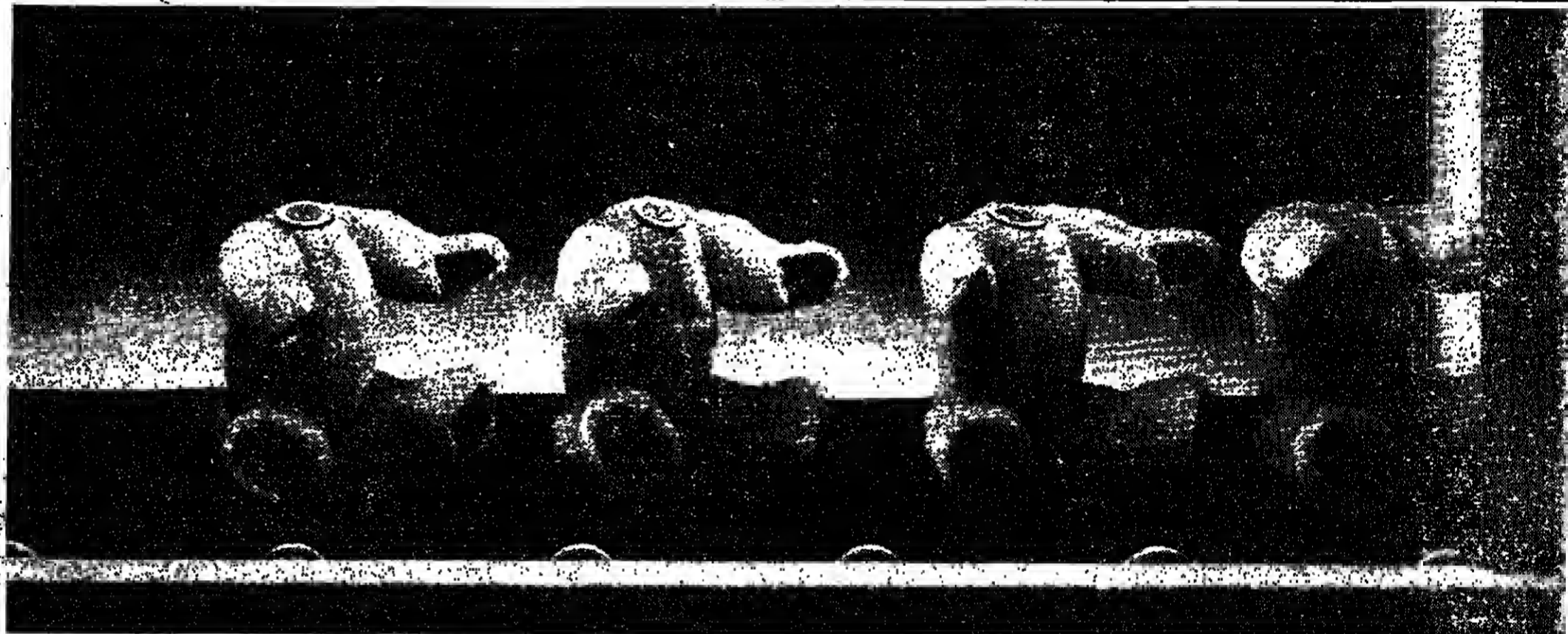
Mr Hyams had brought the libel action.

It had always been intended that Centrepoint should be let as a whole to a "tenant of undoubted covenant." Efforts were made to obtain such a letting and a suitable tenant was found in 1970.

Mr Hyams's main object in bringing yesterday's action was to obtain a permanent injunction against the BBC to ensure that it did not repeat the allegation.

Mr John Preville, for the BBC, apologised for repeating the allegation.

Centrepoint is owned by Sovmots Investments, a subsidiary of Oldham Estate Company, of which Mr Hyams is chairman and managing director.



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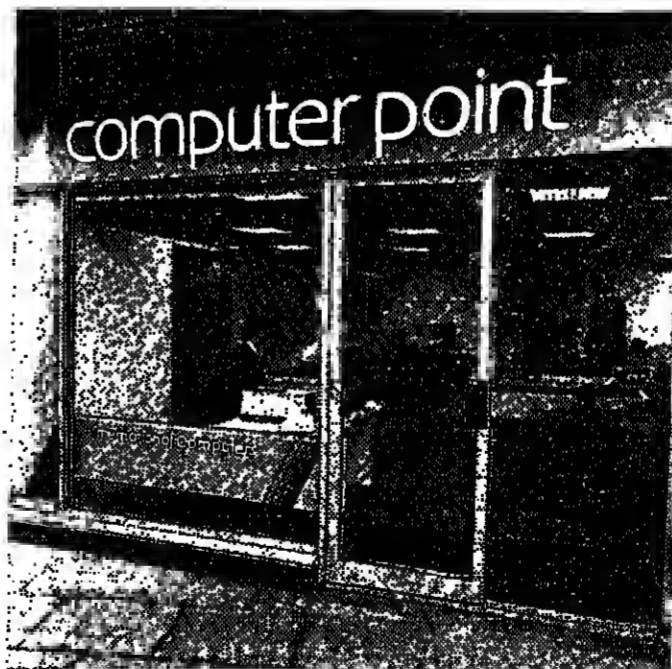
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UK NEWS

BSC seeks job cuts at Sheffield

BY MARK WEBSTER

THE British Steel Corporation announced that it was seeking cuts of nearly one third in the workforce of its stainless steel plants in Sheffield.

expected following the collapse in demand for stainless steel. Domestic consumption in 1981 was 25 per cent down on the previous year at 120,000 tonnes.

The redundancies are part of the BSC plan to break even by 1983. But the corporation stressed that it was not the first sign of the proposed reappraisal of plant configuration.

Weak demand and a sharp rise in imports this year have forced BSC to consider closing six of its five main production sites.

NEB makes £59m loss after disposals

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE National Enterprise Board made a record pre-tax loss of £59m in 1981, compared with a profit of £1.5m in the previous year, mainly because of expenses involved in disposing of the board's interests in Innes and Nexos electronics companies.

These results occur because they have been caused by the new management of the group, under the chairmanship of Sir Freddie Wood, disposing of some of the problems of earlier NEB ventures.

Table with 3 columns: Description, 1981, 1980. Includes Income, Dividends, Interest receivable, etc.

NEB's interests in Nexos, an office products company, cost £30m in 1981, depending on the sum recovered by sales of interests abroad.



Arthur Scargill

Scargill angry at Ezra 'insult' over letters

By Maurice Samuelson

THE RELATIONSHIP between Mr Arthur Scargill, president of the National Union of Mineworkers, and the leaders of the National Coal Board were near breaking point at least a week before he strode out of a meeting with Mr Norman Siddall, the board's chairman designate, after only 31 minutes last Thursday.

Riots blamed for Merseyside crime record

BY LISA WOOD

LIVERPOOL'S RIOTS last year, had a disproportionate effect on Merseyside crime. Mr Kenneth Oxford, the force's Chief Constable said yesterday in his annual report showing record crime figures for 1981.

The riots, however, had a considerable effect on the level of offences against the person, which had been falling, and the value of property damaged.

He said that after the disturbances more than 2,000 letters were received by Merseyside police, expressing support for the way the disturbances had been dealt with.

Mr Oxford said he thought it important to realise, at a time when the Home Secretary was considering procedures for investigating complaints, that whatever procedure was adopted there would be sections of the community "disaffected with any decision, other than one they support, irrespective of the merits of the case."

Medical record misuse 'should be criminal'

By Raymond Snoddy

THE BRITISH Medical Association (BMA) yesterday urged the Government to make the misuse or disclosure of medical records a criminal offence.

Census shows pensioners form 17% of population

BY LISA WOOD

ROUGHLY one in six of Britain's population is of pensionable age, with the highest proportion in the South West, according to findings from the 1981 Census.

McDermott wins contract for platform jacket

By Sue Cameron

MCDERMOTT'S Scotland division has won a contract from the British Gas Corporation for the jacket of a drilling platform for the jacket of a drilling platform for the jacket of a drilling platform.

Confidentiality claimed for ministerial papers

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE CLOAK of confidentiality which protects Cabinet papers from public disclosure also covers the documents of ministers and their departmental officials. It was claimed in the Court of Appeal yesterday.

inspection by a judge. Mr Justice Bingham had reached the provisional conclusion that production would be necessary, if justice were to be done in a pending claim by 20 international airlines against the BAA and the Trade Secretary over increased landing charges at Heathrow Airport.

relevant documents, all cabinet or cabinet committee papers, had been seized. They included two memoranda of the Chief Secretary to the Treasury, an extract from the minutes of a cabinet committee meeting presided over by the Prime Minister, a Treasury paper to the cabinet, a note of a cabinet discussion and a letter from the Chief Secretary to the Treasury to the Energy Secretary, copied to the cabinet committee.

referred to the long-standing and important constitutional rule, observed by successive governments, that an incoming minister was not allowed to see the documents of his predecessor in a government formed by another party.

to the long-standing and important constitutional rule, observed by successive governments, that an incoming minister was not allowed to see the documents of his predecessor in a government formed by another party.

Big rise in bank loans to private sector

By David Marsh

BANK LENDING is starting to the private sector rose by a record amount after seasonal adjustment in the latest quarter, with the rise led by heavy borrowing from the services and personal sectors, according to Bank of England figures.

Navy approves plant to provide fuel for nuclear submarines

BY DAVID FISLOCK

THE NAVY has given British Nuclear Fuels approval to start building a uranium enrichment plant at Capenhurst, Cheshire, to provide for Britain's nuclear submarine fleet.

The final stages of enrichment to a level exceeding 90 per cent will be carried out for the Navy in the U.S.

Rayner suggests savings in research laboratories

BY DAVID FISLOCK, SCIENCE EDITOR

SAVINGS of about £15m a year and a "once-and-for-all" saving of £7m have been identified by Sir Derek Rayner in a financial review of the support services for Government research and development establishments.

staff reductions and the sale of about 270 acres of land, 450,000 sq ft of storage, workshop and office space and 200 vehicles.

chairman, warned earlier this month that a further 17,000 jobs could be lost from the corporation's 100,000 workforce because of the low level of demand for steel.

But Sir Freddie said he hoped that the problems with Data Recording Instrument, a computer company, had been solved.

Taxes on sick pay become law

By Eric Short

THE GOVERNMENT'S plan to bring sickness benefits within the tax orbit, contained in the Social Security and Housing Benefits Act 1982, received the Royal Assent on Monday.

Economists propose two incomes policy strategies

BY ROBIN PAULEY

TWO alternative economic policies, both of which would involve an incomes policy and would produce growth in output of more than 5 per cent a year in 1984, are being proposed at a conference in Cambridge.

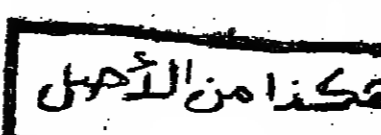
and to Britain's net contribution to the EEC budget. The main benefit is described as a cut in unemployment to 1.5m by 1990 compared with projected 3.2m under present policies.

De Lorean plan backed

BY OUR BELFAST CORRESPONDENT

NORTHERN Ireland-based unsecured creditors of De Lorean Motor Cars agreed in Belfast yesterday to continue supporting the efforts of the joint receivers to negotiate the sale of the assembly operation.

During 1984-86 GDP is projected to rise by 4.5 per cent a year and unemployment to fall to 2.2m. Output growth of 2.8 per cent could be sustained in the longer term at about 1 per cent a year faster than under current policies.



# Thatcher praises 'good sense' of NUR delegates

BY IVOR OWEN

RAILWAYMEN who reported for work on Monday in defiance of the executive of the National Union of Railwaymen and delegates who voted at the union's conference to suspend the rail strike were praised by the Prime Minister in the Commons yesterday.

In some notably restrained comments on the abandonment of the strike on its first day, Mrs Thatcher contented herself with thanking those who had ensured that "good sense" prevailed.

She felt sure that her sense of gratitude was shared by those who used the rail network for personal travel or for the transport of goods.

The Prime Minister rejected a suggestion by Dr David Owen, parliamentary leader of the Social Democrats, that the Government should amend the Employment Bill during its passage through the House of Lords to take account of the "real lesson" of the rail dispute—the need to extend and enlarge the democratic procedures of the unions.

But while ruling out such action in the current parliamentary session, Mrs Thatcher clearly raised the hopes of some of her supporters who, like the Social Democrats, favour the wider use of secret ballots not only to make strike decisions but for the election of key union officers.

She stated: "I hope one day it will be introduced, before the next general election."

Mrs Thatcher linked her acknowledgement of the good sense shown by NUR members over the strike with another firm demand that all the railway unions should now deliver their outstanding commitments on measures to improve productivity.

She said agreements had been made covering six specific areas, and so far, only two had been implemented.



David Owen: "learning the real lesson"

The Prime Minister listed these six areas as: flexible rostering; experiments with open stations; single manning; introduction of the train-man concept (designed to end demarcation disputes between different grades); operation of the new electric trains on the St Pancras-Bedford service without guards; and removal of guards from freight trains fitted with automatic brakes.

Mr Michael Foot, Leader of the Opposition, suggested that the best way to celebrate the calling off of the strike would be for the Government to deliver the undertakings it had given on railway investment.

He argued that such a step would not only be in the best interests of the railway industry but would also be a sensible response to the Treasury's decision to revise downward its forecast for economic growth this year.

Mrs Thatcher replied that before decisions were taken on further railway investment the Government needed to be sure that the expected return would

be obtained from investment which had already taken place.

She stressed that work on the £150m electrification of the St Pancras-Bedford service, started in 1976, was almost complete, but there was no prospect of a return on the investment because disagreements with the unions meant that the equipment was not being used.

Dealing with the wider aspects of the outlook for the economy the Prime Minister admitted that the findings of the latest Confederation of British Industry survey were "disappointing".

But the Prime Minister emphasised that the CBI's survey at the end of May and the view of the London Business School pointed to continued and resumed recovery in the course of the current financial year.

Mrs Thatcher added: "It is important that we keep inflation going down and make every effort to keep interest rates down."

Mr Foot asked how the Prime Minister could reconcile her reference to "flattening out" of economic activity with earlier statements forecasting an economic upturn.

Further investment in the railways, he insisted, would help the economy. He also underlined his belief that Mr Sydney Weighell, the NUR general secretary, had justly claimed that his members had fulfilled all their promises. Now, they were waiting for the Government to do the same.

Mrs Thatcher then listed earlier agreements on productivity which had not yet been implemented, and pointed out that the external finance limit for the railways this year was \$950m, "the highest amount ever."

## Commons Sketch

# Medals all round for flag waving

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE SUDDEN resurgence of British patriotism was still in evidence in the Commons yesterday with Labour MPs eager to prove that they could wave the flag just as well as their Conservative opponents.

The cult of nationalist nostalgia surfaced during defence questions when the newly knighted Sir Geoffrey Johnson Smith (Con East Grinstead) asked the Government to reconsider its refusal to award a campaign medal to those who served in the Suez Canal zone in 1951-52.

For people whose memories do not go back that far, he was referring to the time when British servicemen were still trying to cling on to the Canal despite the determination of the Egyptians to take it over.

When Mr Jerry Wiggin, Defence Under Secretary, again rejected the appeal for a medal, Sir Geoffrey waxed highly in-

dignant, crying out that it was time this injustice was remedied.

The Minister tried to smooth his ruffled feathers by congratulating him on his knighthood, a compliment which brought raucous Labour suggestions that the irate back benches should himself be awarded a medal. Not to be placated Sir Geoffrey then announced that because of the unsatisfactory reply he would raise the matter at a later date.

## Arctic exercise

As the House turned its attention to the adequacy of British equipment in the Falklands, Labour MPs let it be known that they were as concerned as anyone about the comfort of our lads.

Mr Alec Woodall (Lab, Hemsworth) gave a solemn account of how he had shared the hardships of British troops during an Arctic exercise in Norway and had found their clothing satisfactory in every respect. "Give him a medal

too," shouted Tory back benches good naturedly.

Their amusement soon turned to incredulity, however, when Mr David Stoddart (Lab, Swindon) called on the Ministry of Defence to reverse its decision to close the RAF station at Kemble near his constituency. Apparently Mr Stoddart was all in favour of the base remaining open even if this meant the U.S. Air Force taking it over.

The prospect of any Labour MP demanding the return of the Yanks to British soil tickled the imagination of Tory MPs. Their jeers redoubled when Mr Stoddart angrily protested: "Many of my constituents work at Kemble. They believe there is a continuing need to keep it open."

A little later, that quixotic figure, Mr Robert Atkins (Con, Preston North) embarked on an exercise in patriotism which proved just too much for the Labourites. He tried to introduce a Bill moving the bank

holiday from May Day to April 23, St George's Day, or Shakespeare's birthday, or alternatively to the Queen's Birthday.

It was time, he thought, that the "politically motivated decision of 1978 was reversed. The holiday should be moved to a date more in keeping with the traditions of England instead of "a workers' jamboree more readily associated with the march through Moscow displaying all the military might and hardware of the Communist bloc."

## Founding member

Mr Atkins' interpretation seemed to depict St George as a founding member of the Conservative Party symbolising the forces of light overcoming darkness and the triumph of order over chaos and disintegration.

Opposing the Bill from the Labour benches Mr Stan Thorne (Preston South) also



Robert Atkins: critic of the workers' jamboree

claimed the backing of immemorial tradition for the retention of the May Day holiday. He appeared to share William Morris's vision of the Middle Ages as a time when honest British craftsmen demonstrated their sense of community by dancing round the Maypole.

In any event, Mr Atkins' mystical brand of patriotism failed to persuade enough of his fellow Tories to vote for the Bill and it was rejected by a majority of 23 (148-125).

# Tribune group may split over party curb on Militant

BY ELNOR GOODMAN, POLITICAL CORRESPONDENT

THE LABOUR leadership's proposals for dealing with Militant could lead to a break up of the Tribune Group in its present form.

About a dozen MPs on the far left of the party are expected to meet soon to consider setting up a new left-wing group at Westminster committed to fighting the proposed register of Labour groups.

The idea of forming a new group at Westminster to the left of the Tribune Group, which traditionally represents left-wing opinion at Westminster, has been mooted before.

It was much discussed just after last year's party conference, when Mr Tony Benn's bid for the deputy leadership led to serious divisions within Tribune. Now,

it seems to have been given new impetus by the split within the Tribune ranks over how to react to the proposed register of Labour groups.

On Monday, Mr Reg Race, and 19 other MPs on the far left of the party, failed in a bid to commit the Tribune Group against registering. Now some of them are thought to be considering the

idea of a breakaway on the grounds that there should be some focal point at Westminster for the campaign to save Militant from expulsion.

Some MPs on the far left, however, are arguing that they should continue to work within Tribune and that they would weaken their position by going it alone.

The two strands of left-wing

opinion within the group have become increasingly polarised in recent months.

Earlier this year, supporters of Mr Tony Benn effectively gained control of Tribune newspaper, which Mr Michael Foot, the party leader, used to edit. The newspaper has moved sharply to the left as a result, infuriating many old school Tribunites.

# Accord near on Falklands inquiry

BY OUR POLITICAL CORRESPONDENT

THE GOVERNMENT seemed confident yesterday that it was closer to agreement with the opposition parties on the form of the inquiry into events leading up to the Argentine invasion of the Falkland islands.

An inquiry team of five senior privy councillors is likely to be set up later this week with instructions to produce a fair and thorough report by the end of the year.

Yesterday, at Question Time, the Prime Minister said the inquiry would have access to documents and would be able to interview and cross-examine civil servants and Ministers past and present. She said there would be no constraints

on the questions they could ask. Mrs Thatcher continued her consultations at Westminster yesterday over the form of the inquiry by speaking to leaders of the minority parties.

Originally, it looked as if there could be a row between the Government and the opposition parties, over the Prime Minister's apparent determination to ensure that the inquiry examined the attitude of successive governments towards the Falklands, rather than just the present government's handling of the situation.

The Prime Minister is still insisting that the inquiry should look back over the past 20 years, but she has apparently acknowledged that since all govern-

ments have taken basically the same attitude towards the Falklands, the inquiry is bound to concentrate on the events immediately leading up to the invasion.

Downing Street seemed optimistic yesterday that the other parties would be satisfied by an undertaking to publish the report by Christmas. This would still be later, however, than Mr Michael Foot, the Labour leader, would like. He has argued that the inquiry should be asked to produce an interim report before the summer recess.

The Prime Minister has already canvassed a number of names with the opposition parties, although no-one has yet been approached.

# Doubts on control of borrowing

BY MAX WILKINSON

MR JOCK BRUCE-GARDYNE, Economic Secretary to the Treasury, said yesterday there could be major difficulties in giving parliament control over public borrowing during the year.

He told the Select Committee on Procedure that he did not, in principle, see any reason why parliament should not monitor the progress of public borrowing if it wished. MPs might, on the other hand, find this a rather indigestible task.

The idea of parliamentary control over borrowing was a different matter and was bound to cause anxiety. "There has been remarkable unanimity among all the witnesses that there are almost insuperable problems involved in the actual control of borrowing, by which one presumably means some actual numerical limit," Mr Bruce-Gardyne said.

The difficulty was that public borrowing represented the difference between two very large figures, total public expenditure and Government revenues.

Parliament voted for two legs of this triangle, expenditure

and revenue, but it did not control the actual sums involved because these were determined by other economic and social factors.

Parliament might, for example, vote for a particular level of benefits, but it did not determine how many people would claim those benefits. On the other hand parliament voted for particular tax levels, but the yield of taxation would depend upon economic activity.

Borrowing was the third leg of the triangle. If parliament voted for the first two legs, it could not also control the third because that would depend on the general state of the economy.

Mr Bruce-Gardyne said: "You have got to have some elastic in the system and that elastic is public borrowing."

In voting for expenditure, parliament was determining the end and it could not therefore easily refuse the means. He said parliament might also run into difficulty in setting a limit to permissible public borrowing. If the limit were too small the Government

would frequently need to ask for it to be increased and "the thing would be brought into contempt." If the borrowing limit were set too high, parliament would not have effective control.

There was a further difficulty facing MPs who wanted to interpret borrowing figures. The monthly and quarterly figures which were published were smoothed by wide variations resulting from seasonal and other special factors.

The way in which a set of figures related to an annual borrowing forecast depended on the level of economic activity, economic prospects and other factors.

Mr Bruce-Gardyne said there was therefore anxiety that particular figures could have more weight attached to them than they could properly bear.

The House of Commons Treasury Committee did already receive regular figures on the progress of public borrowing. It was therefore a matter for Parliament to decide how these figures should be made available to the House.

# PR 'a safeguard for stability'

BY PETER RIDDELL, POLITICAL EDITOR

THE BATTLE to keep alive the campaign for electoral reform within the Tory Party was renewed yesterday with a new pamphlet from Conservative Action for Electoral Reform.

The pamphlet, by Mr Miles Hudson, a former Tory adviser and vice chairman of the group, argues for proportional representation on the grounds that it would be a safeguard for the stability of British institutions against unnecessary friction and tension. He believes that the present first past the post system of elections could lead "to unwanted extremism and that this danger exists now."

The Tory electoral reformers claim the support of more than a fifth of Tory MPs, including several senior Cabinet Ministers. They are very much a dissident group within the

party against Mrs Thatcher's deep-rooted hostility to any idea of proportional representation.

This is underlined in the introduction to the pamphlet where Mr Cecil Parkinson, chairman of the Conservative Party, dissociates himself from it. Mr Parkinson says he does not subscribe to the conclusions advocated by the pamphlet "nor do I believe that the majority of the Conservative Party shares the views expressed in it. We are, however, an open-minded party and we welcome informed debate on issues about which some of our party colleagues feel strongly."

The pamphlet does not come down in favour of any particular method of proportional representation, on which there has been a vigorous debate among Tory electoral reformers as among supporters of PR

generally. Mr Hudson limits himself to saying: "It would be arrogant to pretend that we can possibly forecast or determine the result of necessarily complex negotiations and compromises, perhaps after the deliberations of a constitutional commission or a Speaker's conference."

The pamphlet contains some favourable references, however, to some version of the additional member system used in West Germany where members elected in single member constituencies on the present system are topped up to ensure greater proportionality between votes cast and seats.

Electoral Reform, the Conservative View by Miles Hudson, from Conservative Action for Electoral Reform, 66, Queen Street, Mayfair, London W1.

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UK NEWS - LABOUR

Urgent call to heal split among rail unions

By Philip Bassett, Labour Correspondent

THE TUC is to convene urgently a meeting of the Rail Federation—the umbrella body covering British Rail's two main unions—in a move to prevent the failure of its initiative to bring the two unions into closer working.

The federation—the main hope of achieving the long-term aim of merging the NUR and the train drivers' union Aslef—is clearly teetering dangerously on the point of collapse.

Since the efforts of Mr Len Murray, TUC general secretary, finally led to the annual conference last year of both unions accepting the idea, the federation has not actually met once.

The latest meeting deferred was one set for last week between the executive of both unions, to be chaired by Mr Murray.

This was cancelled because of the then-impending NUR strike. This meeting is now being rearranged for after the end of the NUR conference in Plymouth.

Calls for the NUR to withdraw from the federation were strongly made by delegates to the conference at Plymouth yesterday. NUR members are particularly annoyed that while they refuse to cross picket lines during the Aslef flexible rostering dispute earlier this year, Aslef members went to work during the NUR's strike on Monday.

In return, Aslef is angry not only because the NUR agreed to BR's proposals on flexible rostering, but that Mr Sid Weighell, NUR general secretary, was openly critical of Aslef for refusing to do so.

However, NUR left-wingers said that relations between the two unions were in the main good, but that there was a clash of personalities between Mr Weighell and Mr Ray Buckton, Aslef general secretary.

In his annual report yesterday to the conference, Mr Weighell said that there were a number of instances in which Aslef had broken the terms of the original agreement drawn up by Mr Murray which set up the federation.

Acas to act in health service dispute

BY BRIAN GROOM, LABOUR STAFF

MR PAT LOWRY, chairman of the Advisory Conciliation and Arbitration Service (Acas) has agreed to intervene once more to seek a solution to the National Health Service pay dispute.

This time he will act in his capacity as Acas chairman. Previously he acted as go-between in a personal capacity, at the request of Mr Norman Fowler, Social Services Secretary.

The TUC Health Services Committee asked Mr Lowry to step in again. He will meet members of the committee on a date to be arranged, and may then seek another meeting with Mr Fowler if he judges it to be worthwhile.

It is unlikely that the TUC, which is seeking 12 per cent

rise, will put new proposals to Mr Lowry. It is concerned, however, that some form of communication should continue after its rejection of the Government's improved 6 per cent to 7.5 per cent pay offers. But with Mr Fowler insisting that the offers are final, it is difficult to see what Mr Lowry can achieve.

The management side of the Nurses and Midwives Whitley Council yesterday met to formulate a new detailed pay offer to the 480,000 nurses, adding up to 7.5 per cent of the total pay bill. It will give rises of between 6 per cent and 10.4 per cent.

Senior nurse managers would get 6 per cent, staff nurses, ward sisters and other clinical

grade 7.5 per cent, and nurses tutors between 6 per cent and 10.4 per cent.

The Health Department said this would give a staff nurse on the top pay grade of £138.37, while a top-grade clinical teacher would get £14 on top of the present £144.81.

The offer did not impress Mr David Williams, the nurses' staff side leader. "We will not be drawn into discussion or negotiation about any offer within 7.5 per cent," he said.

The National Union of Public Employees attacked the Health Department's figures as misleading, and based on small

numbers of higher grades.

A staff nurse on the bottom grade would receive £106 net after tax and other deductions and increased meal and lodging charges, Nups said. A third-year student nurse would get £115 net on the same basis, and nursing auxiliaries in hospitals would be 9p a week in deficit.

Mr Albert Spenswick, general secretary of the Confederation of Health Services Employees and chairman of the TUC Health Services Committee, yesterday sent an open letter to the 480,000 nurses, urging them to stand firm and reject the 7.5 per cent offer.

Many routine operations at dozens of hospitals in South London, Surrey, Sussex and Kent will have to be cancelled because of a shortage of blood,

Pressure for 'shorter work life'

BY JOHN LLOYD, LABOUR EDITOR

THE PRESIDENT of the Confederation of Shipbuilding and Engineering Unions yesterday gave notice that the country's engineers would continue to press for a "shorter working week, a shorter working year, a shorter working life."

The confederation has 17 affiliated unions and 2.5m members in the engineering, shipbuilding and aerospace industries.

Mr Gerry Eastwood, general secretary of the Patternmakers Association, told the confederation's annual conference that the unions would be pressing for a reduction in working time during next year's negotiations with the Engineering Employers' Federation.

The 39-hour week was won

last year after a long series of strikes in 1979. The agreement prohibited the CSEU from raising the issue until next year.

Mr Eastwood's opening address to the Llandudno conference was a sombre one, in tune with reports from CSEU district committees which built up an almost wholly unrelieved picture of engineering industry decline.

"To sustain and improve our services we must first of all create the wealth, and with all its problems the engineering industry is still the largest wealth creator in this country."

The Government had done nothing to relieve the crisis facing the industry and had done little for young people, he said.

Delegates to the conference — most of whom are full-time officials — expect no upturn in their industries over the next year. They believe they will see

a continued high level of redundancies, even in normally buoyant areas such as aerospace.

Mr Eastwood said the decline in engineering had been "traumatic." He said there were more bankers, shopkeepers, quantity surveyors, dentists and receivers — especially the latter — than there were blue collar workers.

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6.8% deal likely for Bank staff

By Brian Groom, Labour Staff

THE BANK of England seems set to reach a 6.8 per cent pay deal with 4,800 of its employees — well below this year's 8.5 per cent settlement in the English clearing banks.

A 6.5 per cent offer has been rejected by the Bank of England Staff Organisation. However, the union has cut its claim from 8.5 per cent to 7 per cent.

The governing Court of the Bank meets tomorrow and is unlikely to go as high as 7 per cent, but it may agree to offer 6.8 per cent — which the staff organisation would accept. The increase could then be paid from the July 1 settlement date.

The Bank has offered an extra day's leave for some workers in lower grades, increasing the lowest entitlement to 21 days a year. The union was seeking three extra days.

The staff union is thought to be unique in the City, because its members are caught up in public sector cash limits. The Bank argued that the 6.5 per cent offer was consistent with the Government's 4 per cent pay provision, as the extra 2.5 per cent would be financed from staff savings.

Problems over 39-hour accord outlined

BY OUR LABOUR EDITOR

THE INTRODUCTION of the 39-hour week into the engineering industry following a series of strikes in 1979 has caused protracted local struggles between management and unions over the past year.

Reports from the districts to the annual conference of the Confederation of Shipbuilding and Engineering Unions on the first full year's implementation of the 39-hour agreement shows that unions found employers determined to reduce or eliminate the cost effects of the time

reduction by cutting back on rest periods.

The BL "tea break strike" of last year was the most highly publicised attempt at cost savings following the shorter week's introduction — but the CSEU district secretaries' reports make clear that British engineering has seen numerous unpublished disputes.

Reports from Coventry and Birmingham implicitly criticise the CSEU for lack of precision and for conceding too much in productivity when achieving the 39-hour week. Birmingham's district secretary says: "A great deal of dissatisfaction has been expressed by representatives of the affiliated unions as a result of employers trying to claw back the one hour's reduction by removing or reducing personnel time allowance."

The consensus of opinion of the affiliated unions was that any further reduction in hours should be more clearly defined."

The Colchester district secretary claims that the 39-hour week agreement "caused more problems than any other national agreement I can remember."

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Notice of Change of Corporate Name NICHIMEN CORPORATION (formerly Nichimen Co., Ltd. - Nichimen Jitsugyo Kabushiki Kaisha) 5-3/4% Convertible Bonds due 31st March, 1997 NOTICE IS HEREBY GIVEN that, in accordance with a resolution adopted at a General Meeting of the Shareholders of the Company, held on 29th June, 1982, the corporate name of the Company was modified, effective from the date of adoption of the said resolution, as follows: NICHIMEN CORPORATION (Nichimen Kabushiki Kaisha)

PUBLIC NOTICES

METROPOLITAN BOROUGH OF SEFTON Variable Rate Redeemable Stock 1983 The Council of the Metropolitan Borough of Sefton announces that the half yearly interest due on 29th December, 1982 on the above stock will be at the rate of 11.45% (less income tax) per £100 stock.

Journalists back print technology flexibility

By Ivo Dawson, Labour Staff

MR KEN ASHTON, general secretary of the National Union of Journalists, yesterday backed an initiative for more flexibility by the print unions on the use of new technology in national and provincial newspapers.

Mr Joe Wade, the National Graphical Association's general secretary, had warned on Monday that the newspaper industry would collapse if agreement was not reached soon on allowing journalists and telephone advertising staff to have direct access to print computers.

Mr Ashton told the NGA's biennial delegate meeting in Eastbourne that any moves would have to be made by the print unions acting together. He gave an undertaking that any deal on direct impinging to computers would not involve a loss of jobs.

Even under a joint agreement that functions (direct impinging) would be limited and controlled."

Mr Ashton linked the initiative to talks on amalgamation between the NGA and NUJ. "Printers and journalists must be ready with a strong amalgamated, trades' union organisation".

He said a package of proposals on amalgamation will be submitted to the NUJ's conference next year, with a recommendation that a ballot of members be held.

However, officials of both unions believe privately that organisational problems and shopfloor opposition to a merger will rule out any agreement for some years.

Mr Owen O'Brien, general secretary of the National Society of Operative Printers Graphical and Media Personnel, has welcomed Mr Wade's call for new agreements on computer technology. "We have got to reach some accommodation with each other or we will all sink together".

Natsopa, which formally merged with the Society of Graphical and Allied Trades at the weekend, represents among others newspaper advertising staff who have long sought access to computer terminals.

The first major opposition to a revision of agreements on direct impinging to computers is expected at the NGA conference tomorrow. Several delegates, particularly those representing Fleet Street newspapers, are likely to use debates on new technology in the provincial and national press as opportunities to express their determination to maintain the sole right to control the input of material.

TUC plans appeal in Lords against union choice ruling

BY IVO DAWSON, LABOUR STAFF

THE TUC is to commit substantial funds to an appeal to the House of Lords against the recent judgment to allow workers the right to join the union of their choice.

Mr Len Murray, the TUC general secretary, told the National Graphical Association's biennial delegate meeting at Eastbourne that the ruling was "palpable nonsense" and would lead to chaos in industrial relations if it were not overturned.

The case stemmed from Mr Ernest Cheall, a security officer, who had left the Transport and General Workers' Union (TGWU) to join the Association of Professional Executive and Clerical Staff (Apex). The TGWU invoked the TUC's rules on inter-union recruitment and, after a meeting of the TUC's disputes committee, Apex agreed to cancel Mr Cheall's

membership.

But this month in the Court of Appeal, Lord Denning found in favour of Mr Cheall and ordered his reinstatement. In a majority judgment, Lord Denning claimed that the TUC committee had no authority to order the expulsion of a worker from a union, and that all workers had the right to join any union of their choice. The judge also said that the expulsion of a worker from a union, without sufficient grounds, was contrary to the European Convention on Human Rights.

Mr Murray warned yesterday that if the judgment were allowed to stand, it would invalidate countless agreements between unions and management. "It would disrupt stable bargaining positions and reduce industrial relations to chaos. We just can't live with this judgment," he said.

For additional copies of HONG KONG SURVEY published on June 21 please contact Freddy Wadsworth Wadsworth Media & Marketing Services Ltd 802 Far East Exchange Building 8 Wyndham Street Hong Kong Tel: 5-226843 OR Clive Radford Financial Times Bracken House 10 Cannon Street London EC4A 3BY Tel: 01-248 8000 FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

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GARDENS TODAY

A sharp eye on colours

BY ROBIN LANE FOX

HOWEVER small, gardens, I think, should control and plan their colours. Even if you opt for brightness and an abundance of flower, you should still plan the range in which you want to be exuberant.

If you mass yellows and orange or reds and yellows, you double their effect. If you limit yourself to pinks, lilacs and purples, you end up with something far prettier than you might imagine.

Colour planning does not enjoy much of a following among gardeners. They tend to feel that they can mix all their plants together in the name of natural harmony or some old "cottage" profusion. The best cottage gardens, however, keep a sharp eye on colours and do not mix everything up in a jumble. It is a myth that there are no clashes in nature and that all flowers blend together.

Colour planning, I suppose, has also not caught on because it has so often been an excuse for pallor and insipidity. White gardens were all very well, but by the 1950s, we have surely seen enough of them. I have nothing against pale colour schemes. Among flowers, I like pinks, whites, milk-blues and clear lemon-yellow in combination. However, these are only one among many possible harmonies, some of which are bolder. Reds, yellows and oranges can be just as magnificent against a suitable background.

Only when all colours are combined without thought do they have their impact. Some flowers, too, have a shape and habit which accentuate their strength and colour to excess. I have a weakness for very red-hot pokers, but in gardens

they have to be placed with great care.

This year, I am working on a border which is to be limited to whites and reds in isolation. It has come about by accident but I am keen on my plan for it and will pass it on. In the past, its bed has been dominated by some big tree-paeonies. Their leaves are handsome, but they are that yellow-flowered variety which hides its head among the branches and drops its flowers before they make much impression.

Perhaps the losses of the recent winter have made me more savage, but having lost several large shrubs, I am not in a mood to put up with others which are large but tedious. I could grow a Clematis over a climber, a pleasant use for these climbers which we ought to practice more often. But I think I prefer to change the colour of the bed.

Between the paeonies, several white-flowered shrubs have already crept into the background. The white-flowered Deutzias are particular favourites of mine, and if only they were scented they would rank at the top of my list of garden shrubs.

A developing bush of the elegant form called Longifolia gives me a white background in June, while a branching bush of a curious form of privet, called Quinohol, carries on the effect in August. This is an easy and neat shrub, precious because it flowers so late. The wisteria did not trouble it and its leaves are not so dull as those on clipped privets in garden hedges.

Between, as always, the forms of orange blossom, or Philadelphus, come and go because there is nothing in this family which I can resist. White phlox, white valerian and a clump of the white transcantia, an easy but forgotten plant, have crept into the gaps. If I added a few white roses and some white campanulas, I would be back with another white border in the manner of 1950s Hampshire taste.

Instead I plan to strike out with strong reds and scarlets among the white. The strongest red comes from a scarlet-flowered border plant which is called the Jerusalem Cross. This, listed as Lychitis chalcidonica, is a tough and easy plant which grows by the hundred from a seed packet. It is less common nowadays and at a height of three feet, its flat heads of small flowers in late June light up an entire border. White, I hope, will tone it down among scarlet Sweet Williams, red Aquilegias, red poppies and the annual red flax which grows so freely from seed.

The poppies will include a lovely small annual variety called Commutatus whose flowers are marked with black blotches. I can grow it freely from seed, along with the scarlet musk called Mimulus cardinalis which gives a good scarlet at a height of two feet. From seed, I will add the invaluable Geums for early June, flowers which start to dwindle after two years and are best, if found, if kept up by fresh sowings or by division. One called Fire Opal is especially bright, a cheerful choice for a new, bare garden.

Later in the summer, reds seem no less abundant. White and scarlet phloxes without any trace of that beastly carnine which I can resist. White phlox, red nasturtiums can fill in any gaps. In poor soil, of which I have plenty, herbaceous potentillas flower profusely, and the best known is Gibson's Scarlet, a sprawling plant which is true to its name.

I will exclude modern red roses because their shapes are stiff and their flowers turn such sad colours in very wet or very dry weather. Instead, I will go for broke on the best new border plants of the past ten years, Gibson's Scarlet, a sprawling plant which is true to its name.

His LORDSHIP said that equipment aboard the Andros Lemos was taken away in the night by a gang of six or seven men armed with long knives. The force was complete before they were discovered and before any threat or force was used. The vessel was anchored in Chittagong Roads within the 12-mile territorial sea claimed by Bangladesh.

The vessel's hull and machinery were insured on the standard form of English marine policy, which included protection against "pirates, rovers, thieves". Attached to the policy was the F.C. and S. clause ("free of capture and seizure"), which excluded certain risks, including "theft from the cover".

The Andros Lemos was also entered in the Hellenic Mutual War Risks Association (Bermuda) Ltd, a mutual association which provided insurance against war risks. The Association rules provided that the vessel was insured, "inter alia", against "piracy" and "loots".

The present dispute was as to whether the loss came within the cover provided by the marine policy, or whether it should be borne by the Association. The question was whether the loss was caused by "piracy".

FT COMMERCIAL LAW REPORTS

Maritime theft without force not 'piracy'

ATHENS MARITIME ENTERPRISES CORPORATION v HELLENIC MUTUAL WAR-RISKS ASSOCIATION (BERMUDA) LTD Queen's Bench Division (Commercial Court); Mr Justice Staughton; June 24 1982

"PIRACY" FOR the purpose of marine insurance does not necessarily take place outside territorial waters, but is a theft at sea carried out by force or threat of force.

Mr Justice Staughton so held when giving judgment for the defendant, the Hellenic Mutual War Risks Association (Bermuda) Ltd, in an action by shipowner Athens Maritime Enterprises Corporation, for loss of equipment stolen from the Andros Lemos.

HIS LORDSHIP said that equipment aboard the Andros Lemos was taken away in the night by a gang of six or seven men armed with long knives. The force was complete before they were discovered and before any threat or force was used. The vessel was anchored in Chittagong Roads within the 12-mile territorial sea claimed by Bangladesh.

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Mr Saville, for the Association, argued, first, that the casualty was not caused by piracy, because it occurred within the territorial waters of Bangladesh.

There was compelling authority for the view that in public international law piracy could occur only outside the jurisdiction of any state. Article 101 of the Geneva Convention on the High Seas 1958 stated: "On the high seas, or in any other place outside the jurisdiction of any State, every State may seize a pirate ship... and arrest the persons on board."

When robbery with violence was committed within the jurisdiction of a state, it was not thought necessary to give "every State" the right to seize, prosecute and punish the offender. It was by no means self-evident that the definition of piracy pointed to the same definition of piracy for domestic purposes, and in particular, for a contract of insurance.

A shipowner whose property was taken by robbers was not much concerned whether the event took place in or outside territorial waters. Nor would the precise location be of much concern to insurers, save to the extent that robbery was more likely on board a ship in port or estuary than it was 12 miles out or more.

In Republic of Bolivia v Indemnity Mutual Marine Assurance Co Ltd [1969] 1 KB 785 Lord Justice Kennedy was disposed to accept that, in general, piracy was robbery "at sea", and in the absence of Lord Justice Vaughan Williams, it was a "maritime offence".

That conclusion accorded with the commercial sense of the matter. The Association, by the word "piracy", insured caused to shipowners because their employees were overpowered by force, or terrified into submission. It did not insure loss when thieves stole clandestinely. The very notion of piracy was inconsistent with clandestine theft.

It was not necessary that the thieves must raise the pirate flag and fire a shot across the victim's bows before they could be called pirates; but piracy was not confined to a marine insurance policy the word was a term of art and must be interpreted in accordance with its original meaning.

In Field v Receiver of Metropolitan Police [1907] 2 KB 553 it was defined, at page 560, as including the element of "force or violence... displayed in such a manner as to alarm at least one person of reasonable firmness and courage."

A riot did occur in the present case, but it was not complete till after the loss. Clandestine thieves, who used or threatened violence in order to escape after the theft, did not give rise to a loss by piracy.

Judgment for the Association. For the owners: Anthony Hall-Crowther QC and Elizabeth Birch (Clyde and Co.). For the Association: Mark Seville QC and Sarah Miller (Richard Butler and Co.).

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By Rachel Davies Barrister

BBC 1

6.40-7.55 am Open University, 10.55 Cricket, 1.20 pm News, 1.37 Regional News for England (except London), 1.49 Over the Moon, 1.55 Wimbledon '82, The Men's Singles Quarter-Finals, 4.18 Regional News for England (except London), 4.20 Play School, 4.45 Joy and Redhawk, 5.05 Newsworld, 5.10 Wildtrack, 5.40 Evening News, 5.45 Regional News Magazines, 6.17 Nationwide, 6.35 Wimbledon '82: Highlights of today's play, 7.30 Great Movie Stunts—Raiders of the Lost Ark: A behind-the-scenes look at how the film stunts were accomplished, 8.20 The Kenny Everett Television Show: A compilation of the best moments from his recent television show, 9.00 News, 9.25 Chicago Story: This week "Bad Blood" the shooting of a young patrolman, 10.35 World Cup Report: The BBC team look forward to the remaining games, 11.03 News Headlines, 11.05 George Burns in Nashville?? with guests Loretta Lynn, Larry Gatlin and the Gatlin Brothers, 11.55-12.00 Weatherman.

ALL IBA Regions as London except at the following times—

6.00 pm About Anglia at the Royal Norfolk Show, 10.05 Texas, 10.45 Our Natural Environment, 11.00 Sesame Street, 1.20 pm Border News, 2.45 Charlie's Angels, 5.15 Sunday, 6.00 Lookout Wednesday, 10.00 News, Border Weather, 11.40 Border News Summary.

CENTRAL

6.50 am The Last Days of Living, 10.45 The Crazy Lane, 1.20 pm Central News, 2.45 The Body Music, 5.15 Different Stripes, 8.25 Central News, 10.00 News, 10.10 Replay: Crisis—One Step Down, stars Ida Lupino.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and Weather, 1.30

ANGLIA

6.00 pm About Anglia at the Royal Norfolk Show, 10.05 Texas, 10.45 Our Natural Environment, 11.00 Sesame Street, 1.20 pm Border News, 2.45 Charlie's Angels, 5.15 Sunday, 6.00 Lookout Wednesday, 10.00 News, Border Weather, 11.40 Border News Summary.

BORDER

6.50 am The Last Days of Living, 10.45 The Crazy Lane, 1.20 pm Central News, 2.45 The Body Music, 5.15 Different Stripes, 8.25 Central News, 10.00 News, 10.10 Replay: Crisis—One Step Down, stars Ida Lupino.

GRAMPAIN

9.30 am First Thing, 9.35 Sesame Street, 10.35 Call It Macaroni, 11.00 Thunderbirds, "Operation Crash Out", 11.50 Lorry the Lamb, 1.20 pm North News, 2.45 Topper, John, 5.15 Mr Mealin, 6.00 North Tonight and Area Weather, 10.00 News of Ten Followed by Reflections, 11.00 Seacht Luchain, 12.10 am North Tonight and Area Weather Forecast.

GRANADA

9.30 am Subtitles, 9.40 The Gift of Earth, 10.00 Friday, 11.00 Sesame Street, 1.20 pm Granada Reports, 2.00 Back to Square One, 2.30 Putting on the Style, 2.45 Play It Again, 3.15 Arthur C Clarke's Mysterious World, 6.00 This Is Your Right, 8.30 Granada Reports, 11.40 Quezaco.

HTV

9.40 am Seachobbers, 10.05 Mr

TELEVISION

Tonight's Choice

Two contrasting highlights tonight—The Kenny Everett Television Show on BBC 1 and Karl Marx in London on BBC 2. On second thoughts they both share a revolutionary attitude towards Establishments. The Everett is a compilation of the best bits from his recent series, which as well as being often very funny and very innovative abounded one of the reverence for traditional BBC attitudes which a man whose livelihood has waxed and waned depending on his battles with the Corporation might be expected to have developed. He remains his own man and his current successes.

The more Marx becomes discredited as a philosopher the stronger seems his influence. Asa Briggs is the guide for a tour round Marx's London: he spent 24 years there, progressing from Sobo poverty to Kentish Town prosperity. ITV is mounting heavy competition with the first episode of Something in Disguise which Elizabeth Jane Howard has adapted from her own novel. On the basis of reading the first chapter this is a witty and perceptive family saga and with the author transferring it to the screen its strengths should be maintained. Richard Vernon, Ursula Howells, David Gillman, and (most of all) Elizabeth Garvie star.

ANTONY THORNCROFT

BBC 2

10.05 am Gharbar, 10.30 Play School, 11.55 Wimbledon/Cricket, 12.30 pm Open University, 1.20 Cricket and Wimbledon '82—Cricket, The Benson, 1.55 Lorry the Lamb, 1.20 pm North News, 2.45 Topper, John, 5.15 Mr Mealin, 6.00 North Tonight and Area Weather, 10.00 News of Ten Followed by Reflections, 11.00 Seacht Luchain, 12.10 am North Tonight and Area Weather Forecast.

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LONDON

9.30 am World Famous Fairy Tales, 9.45 Patterns, 10.15 The Moscow School Ballet, 11.00 The Greatest Thinkers: Freud, 12.00 We'll Tell You a Story, 12.10 pm Rainbow, 12.30 The Communicators, 1.00 News, 1.20 Thames News, 1.30 Look Who's Talking, 2.40 After Noon Plus, 3.45 The Six Million Dollar Man, 3.45 Three Little Words, 4.15 Speedy and Daffy, 4.20 Storybook International, 4.45 Andy Robson, 5.15 Around London, 5.40 News, 5.40 Thames News, 6.35 Crossroads, 7.00 Where There's Life, 7.30 Coronation Street, 8.00 "The Best of British: Beatty Hill Show, 8.00 Disguise: Richard Vernon, Ursula Howells with David Gillman and Elizabeth Garvie in "Flight", 10.00 News followed by Thames News Headlines, 10.30 News, 11.00 World Cup '82 Preview, 11.40 Naz: Roo Leibman in "A Fool For a Client", 12.35 am Sit Up and Listen with Tim Beantown.

TYNE TEES

9.30 am The Good Word, 8.25 North-East News, 9.30 The History Makers, 9.55 Saturday Footage, 10.10 Cities: Survival, 11.25 Tonight, 1.20 pm North-East News, 1.25 Where the Jobs Are, 2.45 The Love Seat, 3.15 Private Benjamin, 5.00 North-East News, 6.25 North-East News, 10.30 News, 11.00 Evening, 11.40 News.

ULSTER

1.20 pm Lunchtime, 2.45 Young Parnassus, "A Fair Cow", 4.15 Ulster News, 5.15 Gomb, 6.00 Good Evening Ulster, 10.20 Ulster Weather, 11.40 News at Bedtime.

YORKSHIRE

9.30 am Sesame Street, 10.30 East Yorkshire Heritage Route, 10.55 Paul Allen, 11.00 News, 11.20 Horncastle, 11.40 "The Yorkshire Adventure of Captain James", 1.20 pm News, 2.45 Charlie's Angels, 5.15 The News, 6.00 Calendar, 11.40 News at Bedtime.

WILTSHIRE

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RACING

BY DOMINIC WIGAN

THERE is no older race in the calendar of this or any other country, as far as I know, than the Carlisle Bell. The Tennent Caledonian Brewery must be well satisfied to be now sponsoring the mile event. The bandicap—for which the famous bell was presented by Lady Dacre in the reign of Queen Elizabeth I—has attracted a field of 16. Although the time cannot be described as distinguished, the race looks wide open and each-way value may well be had from one or two runners.

The best each-way bet is Midden Thrag, despite lack of a recent outing. Miss

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

# A lifetime oiling the wheels

Brian Groom reports on the maverick style of Mobil's personnel director

WHEN EDDY ALLSOP, personnel director of Mobil Oil's UK refining and marketing company, was awarded the OBE in this month's Birthday Honours, union officials and shop stewards were among the first to ring with their congratulations.

That was a fitting tribute. Not only has 64-year-old Allsop been behind some of the oil industry's most innovative industrial relations ventures in his 30 years at Mobil, he has also allowed the workers' own expertise to play a key role in decision making.

"People who do a job often know it better than their managers," Allsop says. Employee contributions to some Mobil projects have been so effective as to reveal management weaknesses, and have led to reshuffles.

Mobil workers respect the company's independence. Three years ago, at Allsop's instigation, Mobil broke from the oil companies' common November wage settlement date for tanker drivers, and moved to May, where it felt freer not only from oil industry pressures, but from the problems of being caught up in the start of the general industrial pay round.

Mobil braved the virtual ostracism of its managers by the rest of the oil industry for breaking the employers' common front and establishing wage levels which other companies come under pressure to meet. "We were drummed out of the Brownies," Allsop says.

Perversely, the achievement which has precipitated Allsop's award involved something of a high-handed departure from his carefully consultative norm. Last August he was made coordinating director—or trouble-shooter—for the £240m fluid catalytic cracking project at Mobil's Coryton refinery in Essex, which was already nearly two years behind schedule, and over-budget and was unlikely to be finished before November 1982.

Like the notorious Isle of Grain power station two years ago, Coryton was suffering problems of low productivity among insulation engineers, or laggards. There were many stoppages as the workers sought to match high wages conceded on other construction sites at critical stages.

Allsop ordered an immediate



Eddy Allsop: "One day we were working an average 57 hours a week; 24 hours later we were doing the same work in 42 hours"

investigation—to be completed within 48 hours. His solution was to cut the work allocated to the sole lagging contractor, Modern Insulation, and introduce competition by bringing in two extra contractors.

"It was dangerous. There could have been all kinds of reactions," Allsop says. But agreement was reached with the General and Municipal Workers Union, performance improved, disputes ended, and the whole of the complex will be operational by mid-July.

Allsop joined Mobil in 1951 when—as the then Vacuum Oil Company—it was building its first UK oil refinery at Coryton, and moving into the fuels business. He had worked as a labour-relations officer for Lobnitz offshoots at Stanlow, near his native Ellesmere Port, and at one time was himself a union shop steward.

As senior staff assistant in his new company's employee relations department, one of Allsop's first tasks was to staff Coryton. He helped establish a simple four-grade structure for operating staff, at a time when up to 26 job categories

applied in UK refineries. Acceptance of the new philosophy was eased by recruiting workers from other companies into higher grades and on improved pay. The benefit was flexibility between grades and a reduction in grading disputes. Competitors have since simplified their own structures.

For several years Allsop took part in national negotiations for oil distribution workers. This was "an unrewarding experience," he says, because industry-wide negotiations buried individual companies' ability to take initiatives on pay terms and conditions, so in 1965 Mobil and Esso pulled out.

Mobil wanted to cut out wasted time in an industry where drivers worked an average of 57 hours a week. "They were sitting in Jack's Calf while expensive equipment was sitting on its fanny," says Allsop.

A revolutionary deal in 1966 put Mobil drivers on salaries (albeit calculated on an hourly basis) with a 40- to 44-hour week, sharply higher basic earnings, no overtime, and time off in lieu of any excess hours. Allsop, then employee rela-

tions manager, says: "One day we were working an average 57 hours a week. Twenty-four hours later we were doing the same work in 42 hours."

Workers at the various depots joined with managers to work out ways of doing it, and ignored any self-interested urge to ensure they received the maximum 44 hours pay. The workforce played a key role in a similar agreement already reached at the Coryton refinery.

Allsop became general manager of marketing operations in 1968, and there followed a productivity deal on the distribution side which made shift hours more flexible. Again, workers played a major part in drawing up plans.

But in 1970 there was a setback. Overtime was reintroduced in response to pressure from the workforce, created by high earnings opportunities elsewhere in the industry. Weekly hours gradually crept up to about 48, which clearly went against the philosophy of keeping the working week within 44 hours.

However, the experience of the 1966 deal created a discipline which enabled Mobil to resist pressure to allow very high overtime levels, and it was able to use the overtime to reduce the use of expensive contract labour.

During the next 10 years productivity improved only slowly at many oil companies, and two years ago Mobil was first in the field with a new batch of productivity agreements for oil company distribution workers. Others followed suit.

Allsop became personnel director in 1979, and was not directly involved in the new deal—but it embodied the philosophies he has pursued, including the close involvement of the workforce in drawing up the new working methods.

Allsop has friends in competitor companies, and is shy of claiming advantage for Mobil. But he says: "I think it is acknowledged we have been in the van for some time."

He must retire next April when he reaches 65, but he has just become secretary of the Institute of Petroleum, and will probably retain an office at Mobil. His influence will continue to be felt.

# U.S. face of corporate generosity

AMERICAN COMPANIES are giving away more money than ever before—to charities.

In 1980, the figure was a staggering \$2.7bn and is rising thanks to recent federal legislation which has increased the allowable limit for charitable contributions from 5 per cent to 10 per cent of taxable income.

This figure, a 10 per cent increase over the previous year, is equal to 1.1 per cent of pre-tax profits of donor companies, the highest level for 11 years. Over the past two decades, the percentage has only been higher twice.

This is revealed in the latest annual study of charitable contributions by all U.S. corporations, compiled by the Conference Board, an independent, non-profit-making research organisation. The source of the information is the U.S. Department of Commerce and the Internal Revenue Service.

In general, U.S. business is far more generous towards charities than companies elsewhere in the world. The reasons for this are basically tax related, but U.S. corporations have also in recent years developed a strong social conscience. The study suggests that 1980 may well be viewed as a landmark year for "corporate voluntarism" as it calls the phenomenon. It could be used as a benchmark, it says, to measure the extent to which private and corporate philanthropy will replace diminishing federal support for a variety of social, educational and community services.

## Philosophy

James Mills, the board's president, says that recent spending cuts represent an unprecedented 180-degree turn in the philosophy of federal support for many non-profit agencies and services.

Nearly all students of the subject agree that the private sector cannot make up these funds dollar for dollar, he says. Nonetheless, the private sector will be called on to provide leadership and imagination in developing innovative ways in which to bridge these financial gaps. It will almost certainly be asked to set new and higher contributions.

The study found that relatively small numbers of companies continue to account for a majority of all corporate philanthropy: about 440 companies accounted for half of all contributions.

The top (unidentified) corporate donor gave \$38.2m in 1980. The median contribution of the top 50 donors was \$7.3m. The study found that education, health and welfare causes received the lion's share of all corporate donations—72 per cent. Around 12 per cent went to civic and community projects, 11 per cent to culture and the arts and the remainder on religious activities, women's causes and overseas aid.

Annual survey of Corporate Contributions, 1982 Edition. Report no. 822. Available from The Conference Board, 645 Third Ave., New York, NY 10022. Price \$5 associates, \$15 non-associates.

Arnold Kransdorff

## Business courses

Seventh Annual Programme on Marketing of Financial Services, Cranfield, July 18-23. Fee: £720. Details from Cranfield School of Management, Cranfield, Bedford, MK43 0AL.

Creative Advertising Workshop, Bradford, July 11-16. Fee: £380. Details from Management Development Programmes, University of Bradford Management Centre, Heaton Mount, Keighley Road, Bradford, West Yorkshire BD9 4JU.

International Seminar on Accounting and Control, Geneva, August 18-27. Fee: SwFr 6,000. Details from the International Management Institute (formerly Centre d'Etudes Industrielles), c/o Chemin de Conches, CH-1231 Conches-Geneva, Switzerland.

Sales Management - Team Leadership, Bromley, Kent, July 25-30. Fee: £550. Details from Sundridge Park Management Centre, Bromley, Kent BR1 3TP.

Microprocessor Principles, Cleveland, July 28-August 6. Fee: £480 (plus VAT). Details from Rosby Training Centre, Rosby Engineering International, Lagonda Road, Billingham, Cleveland, TS23 4JA.

The fundamentals of finance and accounting for non-financial managers, Brussels, August 23-27. Fee: BFr 48,500 members, BFr 2,800 non-members of the International Management Association. Details from Management Centre Europe, avenue des Arts 4, B-1040 Brussels, Belgium.

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SELWYN THERMOGRAPHY

The Selwyn Press, Northway, Bury St. Edmunds, Suffolk IP8 2SW.

## BOARDROOM BALLADS

### ORIENT EXPRESS

As producers of polythene plastic,  
Our demand was a mild, inelastic;  
For our business to miss  
The impending abyss,  
Required something a little more drastic.

So we thought of a foreign adventure,  
On the strength of our final debenture,  
To export expertise  
To the far Japanese.  
In a joint Anglo-Nipponese venture.

Though their people were truly delightful,  
Their devotion to duty was frightful;  
For the talks over-ran,  
In a room in Japan,  
Two consecutive days and a nightful.

At the end of the talks we conceded,  
They knew more about plastics than we did;  
So we flew back again,  
With a bank full of yen,  
In return for our plant which they needed.

And we now, every Tom, Dick and Harry,  
Are a Japanese subsidiary;  
But it's clear that the plan  
We reversed in Japan,  
Has prevented our mass hari-hari.

And we've found our new owners so far so  
Polite, with their bows and their "ah-so",  
With the singular quirk  
That they're gluttons for work  
When required to reveal that they are so.

Yet it does seem a little ironic,  
The employees we thought so moronic,  
Seem to think that the Japs  
Are just bloody fine chaps,  
And the rate of production's a tonic!

The sight of our board exercising,  
Was beyond any human desisting;  
But our spirits end nerve  
Grow, in line with the curve  
Of our profits and revenues rising!

Bertie Ramshotton

Next week: invisible earnings

## BUSINESS PROBLEMS

BY OUR LEGAL STAFF

### Collection of rent arrears

I am having difficulties collecting rent and rates from a tenant to whom I am renting a registered rent flat. As a result of the rent and rate arrears by this tenant I have been taken to court several times by the council for rate arrears. Is it possible for me to be relieved of the responsibility to collect the rates and have them collected by the council instead.

If the rent that is registered is inclusive you cannot vary the obligation without applying to the Rent Officer for a fresh registration as an exclusive rent. If the rent is exclusive it is up to the tenant to pay his rates direct to the local authority, and you need not collect them.

### Copyright of translation

We shall be grateful for your opinion on a matter concerning the translation (not copying) of computer software. A writes an original program which is specifically designed for, and capable of running only on, a particular make and model of computer. B translates the program into a form suitable for a different computer (a major undertaking, analogous, say, to the translation of a book from one language to another). Does B's version enjoy copyright protection in its own right (i.e. for B's benefit) or does it

constitute an infringement of A's copyright, or neither?

We think that the position would be akin to that which applies to ordinary translation, namely that there would be an infringement of copyright if the author's (programmer's) licence is not obtained. If the translation is authorised both the original author and the translator will have copyrights, the one in the original work and any translation of it, and the other in the translation which was made by him.

### Regulated tenancy

I own an old city centre property at the rear of which is a large four-car garage. The dwelling is let on a regulated tenancy. The garage is let to a different tenant who uses it as a workshop. He has occupied it for four years on a tenancy terminable on six months' notice. He would now like a five-year lease. When the dwelling becomes vacant I may wish to sell the whole property, but do not expect this to be in less than five years' time. If I grant a five-year lease to the garage-tenant who carries on his business there, will I be able to obtain possession in five years' time if I wish to sell the whole property at that time, or will he have security of tenure as a business tenant entitled to renew his lease? Will the situation be any different if I continue with the present arrangement ter-

minable on six months' notice?

The tenant will have security of tenure under Part II of the Landlord and Tenant Act 1954 at the end of the five-year term, but he already has that security under the periodic tenancy which now exists. Thus whether you give notice to terminate now or at the end of a new five-year term the tenant can apply for a new tenancy unless you establish one of the statutory grounds for opposition.

### Transfer of shares

I am seeking advice re the possibility of advertising to buy small quantities of preference shares in various companies. There are many smallholders who are unable or unwilling to sell owing to the high cost involved in small numbers. My ideas are: (1) To advertise that I would buy small quantities slightly below market price. Seller to pay no commission. (2) To arrange the transfers, and have them stamped after signature and submit to company concerned. Am I allowed to do this by law? You-risk being in breach of the Prevention of Fraud (Investments) Act 1958, and also possibly of the Consumer Credit Act 1974; and you would therefore be wise to consult a solicitor.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

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SELWYN THERMOGRAPHY



# FINANCIAL TIMES

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Wednesday June 30 1982

## Europe at odds with Reagan

IT IS a measure of the perturbed state of the Western world that the leaders of the European Community, despite ample scope for argument about the workings and enlargement of the EEC, should have drafted communiques concerned predominantly with external affairs. The theme which unites both main statements—the crisis in Lebanon and on U.S.-Common Market relations—is the rift which has suddenly re-opened between the American and the European halves of the NATO alliance.

The virtuous-sounding undertakings of the Versailles summit are now shown up to have been little more than a pepping-over of that rift. Painful developments have taken place since they were made. The U.S. has turned a blind eye to an Israeli invasion of Lebanon. Mr Alexander Haig, an unsatisfactory U.S. Secretary of State who, nevertheless, provided a link between the U.S. and the Reagan Administration, has resigned. The U.S. has attacked European sales of steel to America with anti-dumping levels. The U.S. has abruptly blocked European subsidiaries and licensees of U.S. companies from participating in the Russian gas pipeline project. And in the background, the U.S. monetary squeeze has re-asserted itself, driving dollar interest rates and the dollar exchange rate back upwards.

**Statement**  
In Europe there is not only anger about these developments in themselves but also a mounting disquiet about the U.S. administration which has unleashed them. Five-and-a-half years after the EEC began negotiating about the shortcomings of President Carter and his team there is still no satisfaction in sight. An economic policy which is having ramifications across the world is the product of no Thatcher-like exercise of willpower but of inconsistent policies stretched four ways between the Federal Reserve board, Treasury, Congress and White House. A foreign policy of no less importance is the outcome of a power-struggle between White House, Pentagon, National Security Council and State Department. And the ring-master of all these activities—the President

## Strife in the public sector

THE CHALLENGE for British governments in the public sector pay round has always been to get across to workers the connection between pay, productivity and jobs. In response to that challenge the present Government has sought, on the one hand, to impose a pay norm that is consistent with the success of its wider economic strategy; on the other, to reduce the powers and privileges of the trade unions so that competing public sector labour monopolies find it less easy to wrest money from the Exchequer by submitting the public to considerable discomfort.

On the basis of decisions this week by the National Union of Railwaymen and by Aslef, it appears that the message is not sinking home uniformly. On the issue of flexible rostering, Aslef is intransigent and intends to call an all-out strike from Sunday. The NUR, however, abandoned its nationwide strike on day one and yesterday's unanimous vote to end the Tube strike on London Transport confirmed the earlier trend.

Inevitably the Aslef decision removes some of the gloss from the earlier victory won by the BR management and the Government in the confrontation with the NUR. And the importance of the vote to call off the strikes can be exaggerated. The railmen want their claim submitted to arbitration under Lord McCarthy at the Railway Staffs National Tribunal. Thereafter, the issue would be reconsidered by a special conference of the NUR. Mr Sidney Weisbell and his men will have to be satisfied that they have an improved offer before the threat of further disruption on the railways is completely removed. With London Transport, further talks are to take place with the Government's arbitration service, Acas.

**Less support**  
But London Transport does not appear to have made any further concessions. And in the case of the NUR strike, it is hard to believe that the direct public sector pay on the ground that reductions in real pay offer the best hope of reducing unemployment. But the monopoly problem has still to be faced.

has not yet established that he has the ability to make the upshot of such tensions constructive. In their statement on the latest war in the Middle East the Europeans have forcibly reminded the U.S. that "Israel will not obtain the security which it has the right to enjoy by force and by creating jobs" but it can find this security by satisfying the legitimate aspirations of the Palestinian people. The Ten assert that "for negotiations to be possible the Palestinians must be able to commit themselves to them and thus to be represented at them".

**Skip away**  
The declaration on U.S.-European relations warns bluntly of recent developments which could have adverse consequences for (Europe's) relations with the United States. It would have been tougher still had not Mrs Thatcher stepped in and watered down the paragraphs dealing with U.S. actions over the gas pipeline in the Soviet Union and the argument about steel imports into the U.S. The Versailles summit's communiqué provided the basis of agreement between the U.S. and Europe which has since been allowed to slip away. The Europeans do not accept toughened economic sanctions against the Soviet Union. The U.S. has not responded to the spirit of economic co-operation and compromise.

The message behind last night's communiqué from the Europeans is plain and probably the better for its plainness: the components of the Western Alliance are drifting apart. Mutual distrust, straight nationalism and economic nationalism bred of economic fear are coming between them and are threatening the principle of free and fair trade on which their unrivaled prosperity was once based.

This is a consequence which the unpleasant process of eradicating Western inflation, of reconciling Western expectations with Western economic performance, cannot be allowed to have; and this is why the "genuine and effective dialogue" urged in yesterday's communiqué is the most pressing duty facing the new U.S. Secretary of State, Mr George Shultz.

He laid heavy emphasis on the potential loss of jobs and threatened to revoke the closed shop agreement on the railways.

The NUR members were almost certainly conscious that they enjoyed much less support from the public than the National Health Service workers do. The man on the train from Woking may not feel unduly bothered about the unions' demands to have two men drive a one-man train from Bedford to St Pancras or about the minutiae of footplate men's rosters. But if he is forced to come late to work with a frayed temper and possibly blistered feet too, his sympathy is not to be counted.

**Confronting**  
The question now is how exposed or otherwise the NHS ancillary workers feel. The Aslef decision certainly makes them look a little less vulnerable. Yet here, too, a connection needs to be made between pay, productivity and jobs. By no stretch of the imagination can the workers in the NHS be described as well paid. But in the 20 years up to 1980 staff numbers in the NHS more than doubled to over 1.2m, while the number of people treated grew by less than 1 per cent. At the age end of the pay round, confronting a Government that seems victory, the health workers look as though they are on a losing wicket. But if the Government succeeds in wrapping up the current pay round to its own satisfaction, there remains a perceptible cost.

The 4 per cent pay norm has been frequently breached by the groups with most disruptive power, leaving a widespread sense of unfairness. The Government's efforts to attack the big labour monopolies have not been conspicuously effective to date. And the so-called Tebbitt Bill, which seeks to discourage closed shops, is not something on which industrial managers are over-anxious to make common cause with the Government.

The Government can no doubt justify rough justice over public sector pay on the ground that reductions in real pay offer the best hope of reducing unemployment. But the monopoly problem has still to be faced.

HOW FAR is the U.S. prepared to go in applying economic pressure to the Soviet Union? How great is the risk that Saudi Arabia's frustration over the American failure to restrain Israeli action in the Lebanon will precipitate a second oil embargo or lead to financial sanctions against U.S. banks?

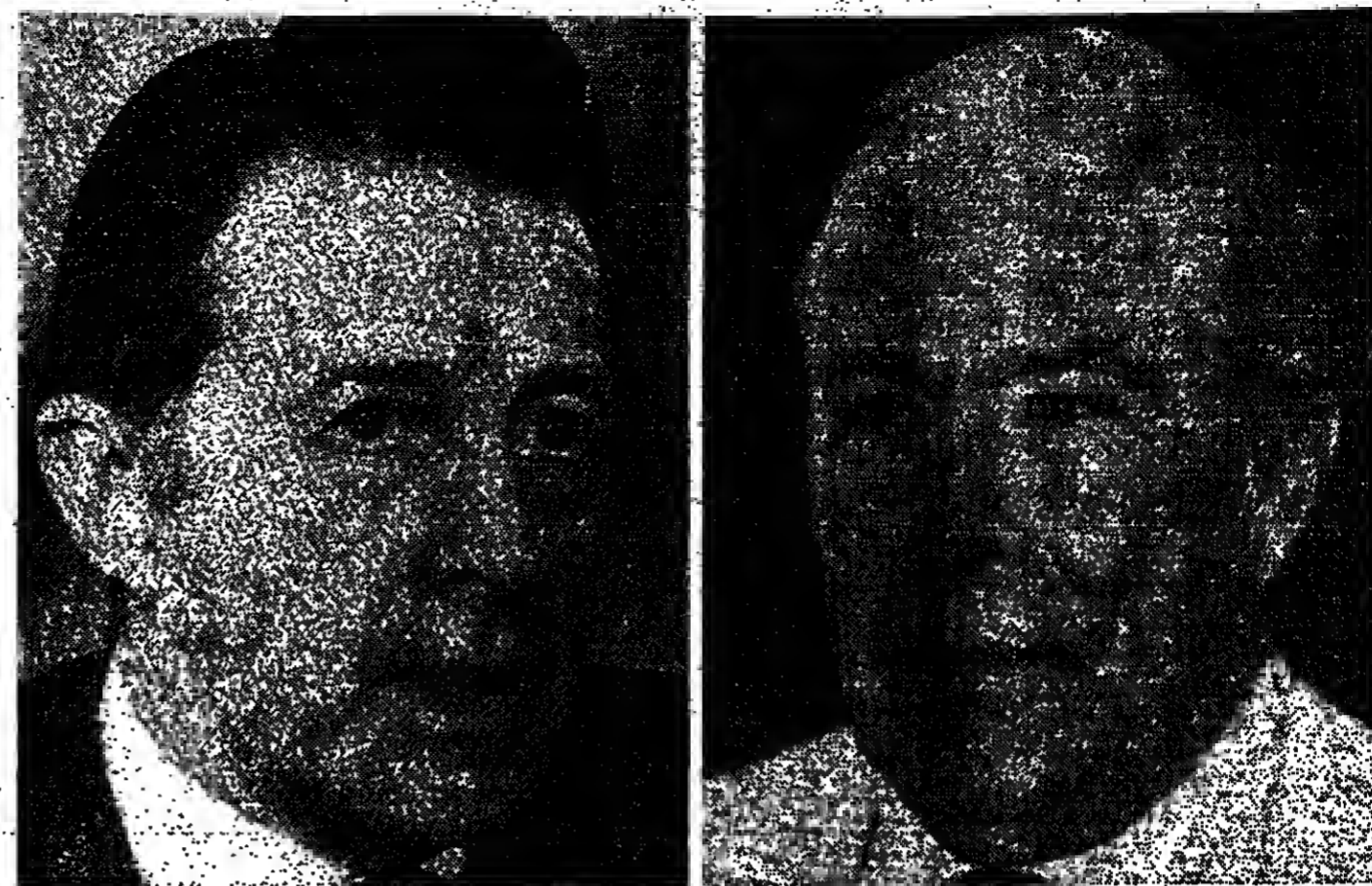
In the aftermath of the resignation of Mr Alexander Haig and the appointment of Mr George Shultz as Secretary of State last week, no one can be certain. But the very least that can be said is that the Americans are traditionally trigger-happy when it comes to the use of economic sanctions; and that Saudi readiness to use the oil embargo in 1973 lends credibility to any threat over current events in the Middle East. It is a disturbing prospect for Europeans who are increasingly being caught in the crossfire.

The immediate focus of European concern is the decision by President Reagan on June 18, a mere fortnight after the Versailles summit, to extend sanctions against the gas pipeline from Siberia to Western Europe. From the start the Reagan Administration made no bones about its hostility towards the project. And it was quick to seize the opportunity provided by martial law in Poland to impose unilateral sanctions against the Soviet Union. Measures announced by President Reagan on December 29 included controls on American sales of oil and gas equipment, together with a threat to extend the embargo to subsidiaries of U.S. companies and to foreign licensees.

This move reflected a marked shift in the balance of power in the Administration towards the unilateralists, led by Mr Casper Weinberger, the Defence Secretary, and the Atlanticists, such as Mr Haig. The unilateralist camp is anxious to prevent any transfer of resources from West to East that would help the Soviet military effort, regardless of European sensibilities over détente. It seriously believes, unlike most Europeans, that the Soviet Union is economically on its knees and that sanctions could force the Soviet leadership to consider the politically risky option of economic reform.

Conscious of the damage done to the Alliance by the December 29 measures, the Atlanticists succeeded earlier this year in steering the argument over East-West trade away from energy onto credit. The Versailles summit appeared to have dispelled some of the acrimony with communique references to "prudent" economic relations with the Soviet bloc. The Europeans and the Japanese left with the impression that they had agreed on tighter credit for the Soviet Union in exchange for a relaxation of the U.S. embargo on gas equipment.

It is now clear that the pre-summit discussions on credit was difficult. And not simply because of different perceptions about what a co-ordinated credit policy could or could not



Sanctions-bardliner Casper Weinberger, U.S. Defence Secretary (left) and Secretary of State George Shultz (right)

achieve. The Americans wanted agreement on a mechanistic system of credit control which their summit countries regarded as unacceptable. The Europeans countered with proposals for a more flexible approach.

These differences were not adequately resolved before the Versailles meeting and the French appear to have been particularly obstructive, revealing at the last minute that their ability to accept the American proposals was limited because of a secret accord with the Russians on credit. President Mitterrand rubbed salt into the American wound by appearing to disown the new agreement at a press conference immediately after the summit.

The result was that when President Reagan returned to Washington, conservatives in the Administration were able to argue that he had bargained away his leverage over the allies for a non-agreement on credit. The Russians, they claimed, were receiving all the wrong signals: having set out to bargain with the Soviet Union from a position of strength, the Administration had trimmed its sails to the wind of American public opinion on arms control and shown little real toughness in foreign policy. The President took the point and extended the embargo.

A first-class row is now inevitable between the U.S. and Europe, not least because the oil and gas equipment embargo coincides with other purely economic tensions over steel and interest rates which threaten to spill over into political relations. The retrospective and extra-

territorial nature of the sanction is particularly irksome to the Europeans. There is resentment at the U.S. failure to use its own grain weapon or to consult more than cursorily with the allies before arm-twisting them into sanctions which they do not expect to influence the Soviet Union more than marginally. As the Americans do not have a monopoly of the relevant technology for the pipeline, delay is all their action will achieve. The U.S. is not, as yet, committed to all-out economic war

with the Soviet Union. But it is clear that the balance of advantage in the Administration now lies more with the conservatives, who want to pursue a policy of economic containment towards the East, than with the Atlanticists. Nor is there any guarantee that the U.S. will not seek to take further economic measures if events so dictate.

Economic sanctions are used in peacetime not because of any intrinsic merit but because the alternative options are unpalatable. If the situation in Poland or the Middle East deteriorates, the U.S. will be hard pressed to find other measures with which to send strong signals to the other side. could thus ensue, with consequent strains in the Alliance. Second, the U.S. is most likely to be tempted to apply financial sanctions since it can exercise disproportionately large leverage despite the relatively low level of its own financial relations with the Soviet Union. Moreover, the scope for exerting financial pressure has increased dramatically as a result of the recycling process whereby Western banks accumulated huge Opec deposits (whose withdrawal could pose a threat to banks' liquidity) and non-oil developing countries. It is a view shared by my man at the High Court, "Donaldson by a short head," he forecasts

## A first-class row is now inevitable between Europe and the United States

By John Plender

This is bound to worry European governments on two counts. First, the U.S. has already cut back so far on trade with the Soviet bloc that it has few sticks with which to beat the Russians except grain. Short of a new grain embargo it cannot have a policy of economic containment towards the Soviet Union unless it borrows Europe's economic leverage. Co-operation with the Europeans will be much harder to achieve after the extension of the oil and gas equipment embargo. Further bullying

Blocking deposits is not new: the Americans did it, for example, with China in 1950, Cuba in 1962 and North Vietnam in 1970. What is new is the scale on which it can be done after recycling and the high risk involved as the world faces an incipient financial crisis. When the Carter Administration blocked \$12bn of Iranian financial assets in 1979 in order to apply pressure for the release of the U.S. hostages, both hostages and banking system emerged intact.

Today the international banking system is even less stable, because of Eastern Europe's financial difficulties and because Third World countries are having difficulty servicing debt while the prices of their primary products are catastrophically low. What would the response be to a Saudi oil embargo combined with threats of deposit withdrawals in response to the American failure to restrain Israel? In theory the West has little cause for worry about deposits. There is nowhere outside the Western banking system for Saudi Arabia to put its money. If it removes dollars from American banks into European banks, they would no doubt be recycled. And if the dollars were swapped for D-marks, there would be loud cheers all round as the dollar weakened and American interest rates fell.

Anything which adversely affects confidence is, admittedly, dangerous, particularly against the background of an oil embargo. But in practice it is already an uncomfortable national debt probably presents a greater threat to the stability of the banking system than a

withdrawal of deposits since numerous countries, Poland and Argentina among them, are close to default.

The U.S. has not been slow to exploit opportunities to impose political conditionality where official debt is outstanding. A forced majeure clause was inserted into the rescheduling agreement reached with Poland by official creditors last year. American interest after starting law in Poland, the hawk in the U.S. Administration argued strongly for calling a default on Polish debt. Cross-default clauses would have been triggered, so forcing Europeans to follow suit willy-nilly.

If events take a new turn for the worse in Eastern Europe, it will be harder to head off the pro-default lobby. The State Department and the Treasury won the argument for restraint last December on the ground that calling a default would release General Jaruzelski from the pressure of debt service. By now the flow of funds from Poland to the West is so marginal that the argument scarcely holds up.

The worry is that a politically inspired default in Poland might coincide with defaults elsewhere. There has been talk in Argentina, for example, of calling a moratorium in order to obtain relief from debt service. A moratorium comes close to financial suicide since it cuts the debtor off from fresh credit. But if a country's leaders are in a political corner, they may not act predictably. As with deposit withdrawals, it is the uncalculated reaction that bankers have to fear.

The network of central bank agreements set up after the collapse of the Herstatt Bank in 1974 provides a framework in which to handle a financial crisis. But all contingencies cannot be insured against. In the meantime banks are paying more attention to political considerations in sovereign risk assessment, which reinforces the construction of credit that now threatens the international system.

On Polish debt, European officials are crossing their fingers and hoping that General Jaruzelski will do something to ease the martial law regime—pressure from Moscow notwithstanding—before the Pope visits Poland later in the summer. This would provide an excuse to relax sanctions and go ahead with rescheduling along with the provision of fresh credit. But if Jaruzelski holds fast, the scope for tension between the U.S. and Europe will increase. Creditors may be tempted to cut and run. The financial situation could become more dangerous.

The U.S. attempt to squeeze the Soviet Union economically has not stopped the pipeline. What it has done is to give General Jaruzelski an opportunity to influence relations within a Western alliance that is already uncomfortably divided, an ironic outcome which the Russians no doubt savour.

## Men & Matters

### Tailor's yarn

John Packer was in London yesterday making plans for his next party. It is not until 1983, but since Packer reckons to give the grandest parties known to modern man it is none too early to start the preparations.

Packer runs Reid and Taylor, which in recent years has progressed from supplying top quality Scottish yarn to making suits in the £200-£500 price range. Every two years Reid and Taylor mounts a party for its customers, just twenty throughout the world, and its customers' customers, and lives off the good will until the next time.

Of course, more than good will comes from the junkies—which cost around £250,000. You can now buy a Reid and Taylor suit at Austin Reich thanks to the publicity which surrounded last year's event at Scheissheim in Bavaria, which was impressive even by Packer's standards.

The 500 guests at the castle were greeted by 80 pipers and 16 trumpeters. They observed a convoy of Rolls-Royces, the first bearing Princess Margaret, and a fashion show (the business bit). They ate a banquet served by liveried footmen which started with lobster souffle and truffles and then got grander while they drank pink champagne.

Finally, they listened to what must have been the most expensive concert per minute of recent years. For an hour, Monserrat Caballe, Jose Carreras, Agnes Baltsa and Boris Christoff sang. The collective fee was £24,000, with Caballe and Carreras taking £8,000 each.

What makes the venture bearable for Reid and Taylor is that it only had to pay £80,000 of the cost. Other leading exporters of cars, jewellery, furs, accessories, etc. are quite prepared to pay for

their walk-on parts in such a glamorous event.

The next will be held in the UK, just where Packer is not saying, but his efforts to promote British style abroad, as well as his own suitings, have impressed enough to earn him an OBE in the latest Honours list.

### On the boil

Terence Conran's new boilerhouse gallery of industrial design continues to carry a startling message. It packed its first punch when it opened in January with an exhibition devoted to the influence which the world's leading designers have had over the shape and function of industrial products since the 1850s. Only one of the items was British, a Gestetner copier designed in 1929 by an American.

The gallery, housed in the Victoria and Albert Museum's former boilerhouse, then rubbed salt into the wound with another exhibition, the first ever devoted to the remarkably successful designs of Japan's Sony Corporation. And yesterday it held a preview of its latest enterprise, which traces the past 25 years of work by Dieter Rams, whose "clean, crisp and functional" products for Braun of West Germany have set a trend for British competitors to ignore at their peril.

His ability to transform such mundane appliances as shavers, hair curlers and coffee machines into elegant and efficient objects has won Braun immeasurable international success—not least in Britain.

By comparison, the attention paid to design by most British appliance makers appears woefully inadequate. Such laggards' old argument that British consumers were not prepared to pay for good design—a statement

rendered obviously inaccurate by the hordes who now flock to buy products by Sony, Volkswagen and of course, Braun. As if to back up critics who maintain that the fault lies with conservative producers rather than the public, Rams yesterday praised "the demonstrated awareness of the British consumer of the part design can, and should, play in the creation of products."

But Rams warns that would-be emulators of Braun's success should avoid short cuts. Design will only be taken seriously if a product's attractive exterior is matched by top-quality innards.

### Getting licked

Strawberry ice lollies from Northern Ireland are making a big hit in the Middle East.

Hot and thirsty Sheiks from the Gulf state of Dubai have ordered 2m of them from Dole Farm Dairies of Ballymena—the first Northern Irish ice cream to be sold in bulk outside Great Britain, according to Dale Farm.

"If somebody told me a year ago that we would be exporting ice lollies to Dubai, I would have told them to get their head examined. Now it's come true," says production manager Frank Kerr.

Quality, speed, competitive pricing and good personal contacts clinched the deal, he maintains.

For Dale Farm's next trick, it is working on a special request from its Dubai customers—for ice lollies in their favourite mango flavour.

### Staking out

It looks like being a photofinish in the Denning Succession SIZES. With an announcement about the next Master of the Bolls expected very shortly, the word is that the early front

runner, Lord Justice Templeman, has fallen back and is likely to be compensated by a judicial seat in the House of Lords when Lord Russell retires from the ranks of the Law Lords.

Lord Justice Donaldson and Lord Justice Oliver are thought to be neck-and-neck as they race for the winning post.

Donaldson is said to be Mrs Thatcher's preferred candidate, and to have the backing of the Lord Chief Justice, Lord Lane. Oliver, says the Inns of Court pundits, is favoured by the Lord Chancellor, Lord Hailsham, and a majority of the judiciary. But there is a growing feeling that in this, as in other matters, Thatcher will prevail. It is a view shared by my man at the High Court, "Donaldson by a short head," he forecasts

### Cash 22

Lloyds Bank, keen as ever to help its travelling customers, has issued instructions on how to use its cheque card abroad. "You'll be able to draw up to £100 a day, although each individual cheque will only be guaranteed for up to £50," it advises. So far so good.

But the bank goes on: "You should also plan how much you will need, as your cheque card only allows one transaction each day." Nothing like flexibility when it comes to figures.

### Bull in the bush

From an article on stock market scares in an Ohio newspaper: "Not content with the fat bird in their hands, and spurred on by greed and rumour, the bulls believed they would find the proverbial two birds in the bush. When at last the bubble burst, the cat was really among the pigeons."

Observer

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# BUILDING

## Methods and Management

Government cuts and the recession have in recent years led to a serious drop in the UK construction industries' workload. There are now signs of a modest recovery. Meanwhile the industries are taking a long look inwards. Traditional techniques and practices are being challenged.

### Builders fight to turn the tide

BY MICHAEL CASSELL

IN THE last decade, there has been a near-30 per cent drop in the domestic workload of the UK construction industries. With no immediate prospect of any significant and sustained improvement in output, the construction sector is now taking a long overdue look at how best it can help itself.

A more thoughtful approach to its predicament will not prevent the industry from maintaining pressure on government—the prime client—to accept the construction industries' fundamental role in the economy and its potential for generating economic revival. The message, which most would accept, will continue to be accompanied by calls for more cash, which is less readily forthcoming.

But an industry which has been proud to be associated with initiative and free enterprise, whilst at the same time inevitably looking primarily to the state to fill its order books, is now turning much of its attention inwards, examining both market opportunities and methods of approach which can produce badly needed work.

Mr Kenneth Cooper, director general of the National Federation of Building Trades

Employers, told a recent conference on construction market opportunities: "While the country has been spending more on holidays, cars, televisions and videos, it has invested less in building. That tide needs to be turned. Doing so depends not only on general economic recovery and growth. It also depends on the industry itself, on its ability to deliver, its ability to anticipate and respond

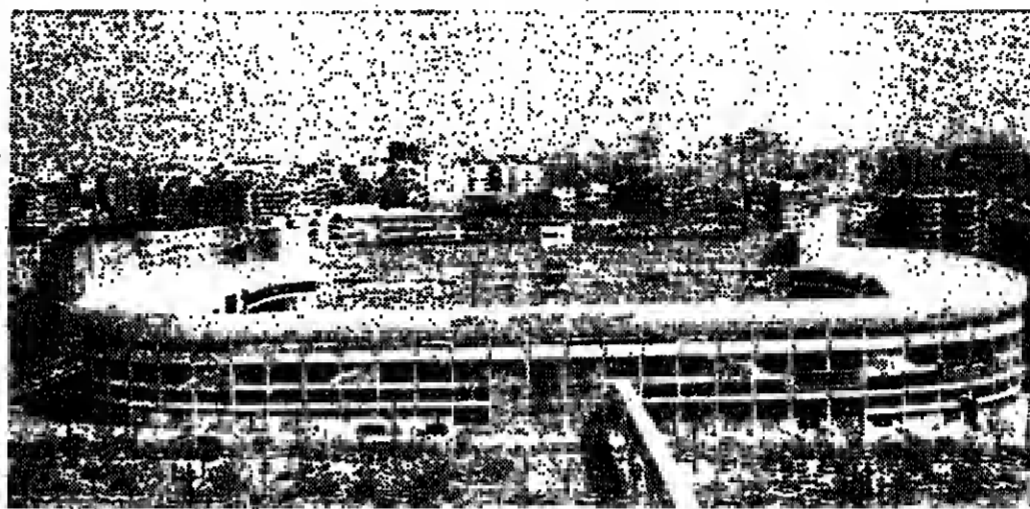
to market needs and its ability to generate what people will want to buy, in short, on its readiness to market itself in new and more forceful ways."

The construction industries have long been criticised for knowing well enough how to build but knowing little about selling themselves to their customers. For too long, the critics suggest, the construction sector operated in a post-war sellers' market and proved itself incapable of adapting when the buyer began to set the ground-rules.

The scope for offsetting the huge reductions in public sector construction work must remain limited, however, given the scale of the continuing government cuts. Construction output in the public sector fell by another 9 per cent in 1981 and in the past three years the trend has been strongly downward, reducing work levels to close to half the 1970 level.

At the same time, the recession has knocked the feet from under parts of the private sector. Building work for industrial customers dropped by over 20 per cent in 1981, private housing output by 12 per cent in volume terms and even repair and maintenance—which had represented one of construction's brighter spots—dropped back by 10 per cent.

There are now some signs that the overall picture is, after several years of decline, begin-



Real Madrid's Santiago Bernabéu stadium was given a complete facelift in preparation for the World Cup at a cost of £2.75m. The modernisation involved extensive use of Cemfil glass reinforced cement, a Pilkington Group product for special canopies designed to meet a FIFA requirement that at least two thirds of the seated accommodation should be covered.

ning to brighten up, although any recovery is expected to be modest and fairly slow. Even at current, depressed levels of output, however, it is worth emphasising that the UK construction market still turns over about £23bn a year.

But in an increasingly competitive climate, changes in old and tested techniques are in need of review and those who adapt first stand to make most ground on the rest of the field. The contractors are not only

having to look at those markets which offer most potential but they are having to re-examine their traditional approach to seeking and carrying out work.

There is no question, for example, that while a great deal of future construction work will continue to come along the traditional route—from client to professional agent to contractor—the "last link" in the chain will need to adopt a more aggressive role in generat-

ing business opportunities. For some contractors, the "first and last link" approach to winning work is fast gaining ground.

The variety of packages now available to the client, removing the conventional system of project organisation in favour of total integration of the design and construction process represents a significant attempt by the industry to provide the client with a more efficient, cost-effective option and to pro-

vide itself with an enlarged work load.

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gest problems which faces a building owner. He may spend many months or even years planning his project with his design team and yet be only assembling his construction team a short time before site work commences. The construction team is unlikely to be familiar with his requirements; they will not necessarily have worked together before as a team and may not have worked with the designers."

It is against this background that the Joint Contracts Tribunal has now evolved two new contract documents designed to cope with the growing use of design-and-construct procedures.

The traditional method of contractor selection, by competitive tender, is also again under close scrutiny. Within this approach, a number of contractors are provided with identical information about a proposed scheme and the lowest tender wins the job. The tender becomes the contract price but it follows that if the information originally provided is not accurate and the project not well defined, or if the client's requirements change, then the price is adjusted.

It is regularly the case that projects are not clearly and concisely defined at tender stage and that reasons will

CONTINUED ON PAGE III

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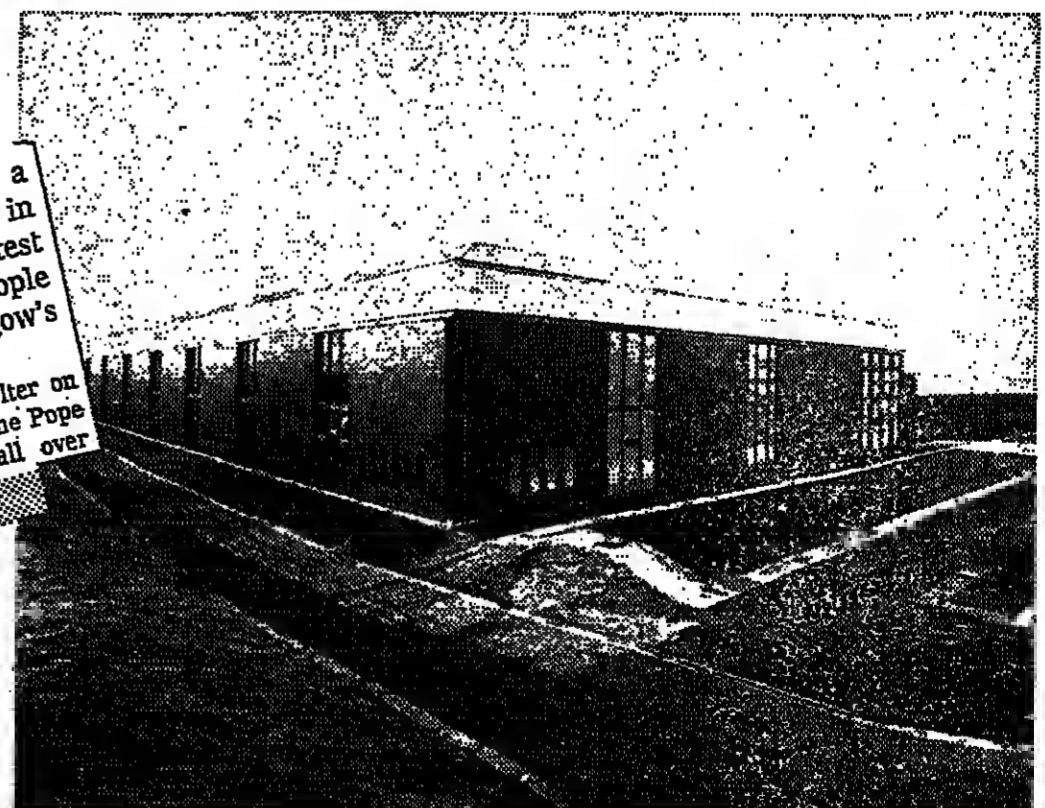


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Wimpey awarded total Project Management Contract for 800 bed hotels and entertainment complex in Macau. This embraces the fullest range of project services from working with client and designers to develop the brief, to supervision of construction and commissioning.

**STOP PRESS 2**  
Wimpey also wins Management Contract for Leisure Centre at Newport, Gwent.

Wimpey are managing the construction of the first totally engineered building in Hong Kong.  
CLIENT: Hongkong & Shanghai Banking Corporation  
CONSULTANTS: Architects: Foster Associates. Civil and Structural: Ove Arup & Ptnrs. Quantity surveyors: Levett & Bailey/Northcraft Neighbour & Nicholson Building services: J Roger Preston & Ptnrs.

**Scottish fervour silences the Pope's sermon**  
By CHARLES NEVIN  
ROMAN CATHOLIC Scotland offered a mighty gesture of faith and numbers in the face of extreme Protestant protest yesterday as more than 250,000 people gathered for a Papal Mass in Glasgow's Bellahouston Park.  
Typical Papal weather—sunshine and swelter on Scotland's warmest day of the year—greeted the Pope and the crowds who had travelled from all over Scotland for another of his Masses.  
"Lord, let Scotland flourish," the Pope prayed in his Gaelic and English from his hill-altar high on the park hillside, to be supported in his side, to be supported in his petition by the clapping hands and crashing cheers of the thousands stretched below him.  
They cheered as the Pope arrived by helicopter.  
A Wimpey Management Contract for the temporary facility in Bellahouston Park, carried out in only 8 weeks.



Starting from the barest of outline design information, The Wimpey Managing Contractor team planned construction to fit a very tight building programme.  
CLIENT: Digital Equipment Co. Ltd.  
CONSULTANTS: Arup Associates



Engineering  
Construction Development

## BUILDING METHODS AND MANAGEMENT II

Kyle Stewart is the latest British builder to move into management contracting

# New system increases flexibility

WHEN John Player looked for a new way of finding designers and contractors to build its new factory in Nottingham in 1988 it could hardly have realised that it was sowing the seeds of a quiet revolution in the building industry. That contract, worth about £40m at current values, was carried out by a system which has now become known as management contracting. From one job in the East Midlands 14 years ago the popularity of the method has blossomed to the extent that even the most diehard traditionalist will now at least look at a management contractor when he wants a new building.

A staff member on that contract was a young man named Roger Downing. His early experiences in Nottingham left him convinced that the system was a force to be reckoned with and he has spent the intervening years working at it—first with Bovis then as managing director of its subsidiary Yeomans. Still young at 36, he was last month appointed chief executive of Kyle Stewart Management Contracting, the latest firm to set up with the sole intention of working within the discipline. He spent 15 months setting up the company.

### Respected

That a company of Kyle Stewart's reputation and turnover should choose to set up an entirely new operation is symptomatic of management contracting's place in the future of the industry. The company already has a respected track record within the industry with an impressive list of prestige projects under its belt since formation in 1953. Its construction, refurbishment, mechanical and electrical services, joinery, plant hire and property divisions together with its new associate last year turned over about £30m. The new subsidiary has already won a pair of contracts together worth more than £16m and there are more on the way.

What is this new way of life which has altered the face of

such a conservative industry in less than two decades? The answer is amply illustrated by KSMC's modus operandum in winning its largest contract to date, a £10m industrial project in Corby for a growing electronics firm RS Components.

Had RSC chosen the traditional route, when it decided to centralise its manufacturing and storage facilities in a new building, the first port of call would have been an architect's office. It might have been an architect chosen for his reputation with this type of project—he might easily have been chosen almost at random. The next call would have been to a consulting engineer, then a quantity surveyor, an electrical and mechanical engineer and so on until he had what he thought was the right team to design what was so far no more than a defined need for the facility to expand business.

Under the direction of the architect the team would have set to and eventually come up with a design. A shortlist of builders would be asked to tender for the actual construction work on the basis of the drawings and their attendant bills of quantities. A contractor—almost invariably the one who submitted the lowest price—would get the job which he would carry out under the direction of the architect.

The moment RSC had a change of mind on some particular point of design the problems would have started. Despite all the best intentions it is a fact that each professional element in the building process has vested interests which can prevent it from acting in the best interests of the client it is supposed to serve. At the first sign of a change to the contract the builder will reach for a claim form and the effects—financial and otherwise—will be felt right down the line.

RSC had the benefit of advice from two sources: its conceptual architect Chapman Hanson and project management consultant Dearnley and Henderson advocated a different way of



Roger Downing: concerned the method could get a bad name

bringing the new building into the world.

So, instead of paying a call on an architect, RSC and its advisors invited a number of management contractors for interview. A process of elimination reduced the list to a handful and these were asked to submit an outline design proposal, a cost plan for their own project, the fee they would want to design and manage the job and a construction programme. In this case Kyle Stewart won the job.

Apart from the contractual skills brought to bear in the design stage the management contractor offers one overriding feature to a project like this. He becomes almost by definition one of the client's employees and from now on controls the contract on the client's behalf. If his needs change so does the job and vested interests are not allowed to get in the way.

The design team is chosen according to suitability and the specialist sub-contractors by competitive tender. The management contractor controls all

these people and they answer to him. "People engineering" is one apt description which is frequently applied to the concept.

By tight control of the whole process the management contractor cuts contractual and financial risk to a minimum. If the sub-contractors work within the system their profit is almost guaranteed. If any problems crop up the programme can be altered to catch up on lost time. If costs rise the client can ask for design changes to be made to keep the project within cost limits. In a word, the whole process is flexible.

Roger Downing is firm in his belief that only the management contracting philosophy can totally match up to the client's needs. He is equally firm in his assertion that it is not a panacea for the industry's reputation for poor performance and admits to having advised some potential clients that their needs might be better suited by sticking to tradition.

He also has distinct reservations about the attitude of some of his competitors who, he feels, could conceivably give the system a bad name. He can already see serious problems ahead if this reputation starts to spread.

"In 1968 in Nottingham a system was developed to match a demand," he explains. "The time-honoured way of doing things wouldn't have worked for Players in that case and the industry responded by adapting to the demand. But there are some signs that it's already going wrong."

"There are those who would like to see the art come down to a document—a standard form of contract. You don't need a document, you need a philosophy. You're selling a system end then a company and if you get it wrong you do serious damage to the reputation of both."

"The concept is showing signs of becoming sterile and rigid—exactly the kind of thing we wanted to get away

from in the first place. It is irresponsible to say that management contracting is 'the be-all and end-all of the industry' but some people are saying exactly that to the detriment of good management contractors."

### Identifiable

The areas where management contracting can score are not rigidly defined but they do fall into an identifiable group. Kyle Stewart's description of the group falls broadly into line with other experts in the field and is summarised under four headings.

● When the earliest possible start-date on site is vital. Almost invariably a new building project—or a refurbishment job—is part of a larger plan and once funds have been earmarked for investment the quicker they can be put to use the better.

● When the precise nature of the work can not be drawn out with exact precision. This is especially the case in conversion and renovation jobs where the unknown is always just around the corner. Flexibility—a buzz-word among management contractors—is essential in these circumstances.

● When the opinion, experience and expertise of a contractor are demanded during the design stage. There are numerous examples on record of jobs that went sour because the designer's vision simply failed to take account of the realities of the building process. The old method could not in any circumstances tap the builder's knowledge until he had been appointed, by which time it's too late.

● Where projects are so large, complex or of such abnormal duration that they tend to generate their own unique problems. Suspect decisions taken in the design stage simply have to be ironed out. Again, the old method does not lead itself to mid-stream alterations.

The management contractor movement in general could well rescue the construction industry's tarnished image if it is applied in the right way. But the message is quite clear: here is an alternative and better way of building. But if its protagonists try and change totally the state of the industry we will rapidly see a return to the bad old ways of inflexible working—exactly the opposite of the new wave's spirit.

Paul O'Farrell

## How a million homes keep the cold out

CAVITY WALL insulation is now widely accepted as being the most cost-effective way of reducing energy loss from dwellings but there remain considerable differences of opinion about the best way to achieve this.

Home-owners in Britain have recognised the benefits and it is estimated that more than 3m dwellings are now insulated in this way, mostly with urea formaldehyde foam, a low-density cellular material with a consistency rather like shaving cream.

This is normally made on site by forming together in a compressed air "gun" a mixture of a water-based resin solution and a hardener which solidifies the foam. This is then injected into the wall cavity where it hardens and dries, creating a thermal barrier. In the course of drying the foam gives off a formaldehyde vapour, however, which can cause irritation to the eyes and nose if it permeates through the interior wall, which is more likely in timber-frame houses than all-masonry ones.

As a result of this problem, the use of this filler has been banned in the U.S. by the Consumer Product Safety Commission which said that it was too difficult to impose adequate safety control procedures and therefore saw no alternative to a ban.

However, it is accepted that a higher proportion of U.S. homes are of timber-frame construction and that the incidence of problems in the UK is low. According to the Building Research Establishment (BRE), there have been only 22 cases of immediate complaint per 10,000 installations, while the figure drops to four per 10,000 after eight weeks.

### Materials

Dr Lyn Everett of the BRE said there were a number of materials which were commonly used as cavity wall fillers, each with certain advantages and disadvantages and also varying in cost. However, urea formaldehyde foam was by far the most popular and was generally being installed in a responsible manner by contractors. Many were members of the National Cavity Insulation Association.

The main advantages of this foam were its cost, normally between £150 and £200 for an average sized home, and its virtual safety from fire. However, its greatest disadvantage, aside from the risk of fumes, was its tendency to crack during the drying process.

Dr Everett pointed out that most outer walls allowed a considerable amount of water into the cavity, which normally drained away harmlessly. But the fissures in UF foam occasionally created a channel for this water to pass on to the inner wall, creating damp.

The second most widely used filler in the UK is rock fibre, although the number of installations is much lower than for UF foam, and the price of installation depends to a greater degree on location, because of the volume of the fibre and consequent transport costs. The cost for an average house is put at £200 to £300.

Polyurethane granules are another option, and this method is used more widely in the north of England. This material, however, has the disadvantage of being combustible and giving off toxic gases when

burning, although in conventional walls it would normally be sufficiently protected from fire to avoid danger.

Polyurethane foam, formed in situ, also has this risk attached but like UF adheres strongly to masonry and does not shrink or crack significantly. Again, cost is also considerably higher than most other fillers.

Finally, expanded polystyrene loose fills can be used, with the advantage that they are free-running and normally fill a large area with minimal drilling of holes—though any gaps or holes in the interior wall will result in "leakage." Glass fibre is also used as an alternative to rock fibre, although it is less dense when installed and material costs are therefore lower.

### Glass fibre

Cavity wall insulation is being installed increasingly during the construction of houses, although it then normally takes the form of glass or rock fibre-slabs or expanded polystyrene board and is attached so as to remain in the centre of the cavity.

The BRE points out that these must be installed with considerable care to avoid serious problems later on which involve the need to remove sections of wall. Wide gaps between adjacent slabs or boards must be avoided and any mortar droppings prevented or removed.

"Good site supervision is important to make sure that boards are restrained by the fixings against the inner leaf of the wall and do not lean across the cavity against the outer leaf," BRE said in a recent digest.

Another method of improving insulation is by means of a thicker inner leaf, although this has the disadvantage of reducing floor space and is generally favoured less than the use of other insulating material.

One of the inherent problems of all forms of wall insulation is the danger of creating a "cold bridge" or un-insulated area in any part of a building, perhaps at a point where masonry goes directly from outer to inner wall, with the result that moisture will form inside the building at that point.

With the installation of foam insulation there is also the risk that it will escape into the wrong areas, such as lofts and under floors, and this has often been the cause of complaints about formaldehyde fumes. In extreme cases these fumes can be neutralised by pumping in gaseous ammonia, although this is an expensive undertaking.

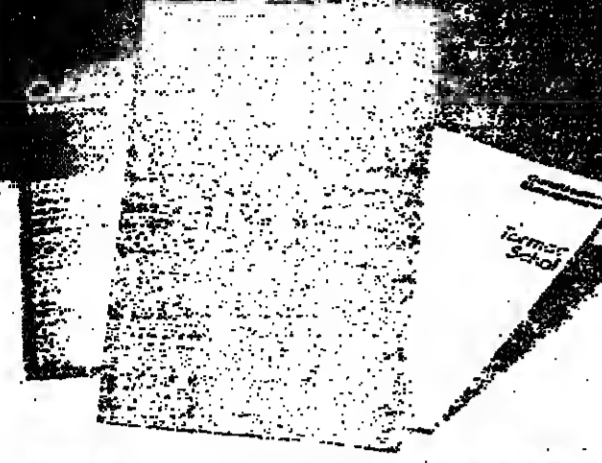
Overall, the BRE is satisfied that the risks of UF are acceptable, particularly since standards of installation are also checked by surveillance teams from the British Standards Institution who make random on-site appearances.

The BRE has also conducted research into the durability of cavity insulation and concludes that all materials currently in use should be expected to last the lifetime of the building without significant deterioration.

Fears about possible frost damage to outer walls as a result of higher moisture content are also discounted by the BRE, although where material is already damaged insulation of a wall can be expected to increase the rate of deterioration.

Lorne Barling

## Construction Management?



## THE OPTIONS.

There are many terms to describe the alternative methods of building contract open to you. Management Contracts, Construction Management, Package Deals, Design and Build and so on.

But whatever term is used, the Tarmac/Cubitts Construction Organisation can lay the facts on the line. The advantages and disadvantages of contract types. The financial advantages and time savings. And above all can find the contract form that suits YOU, not the contractor.

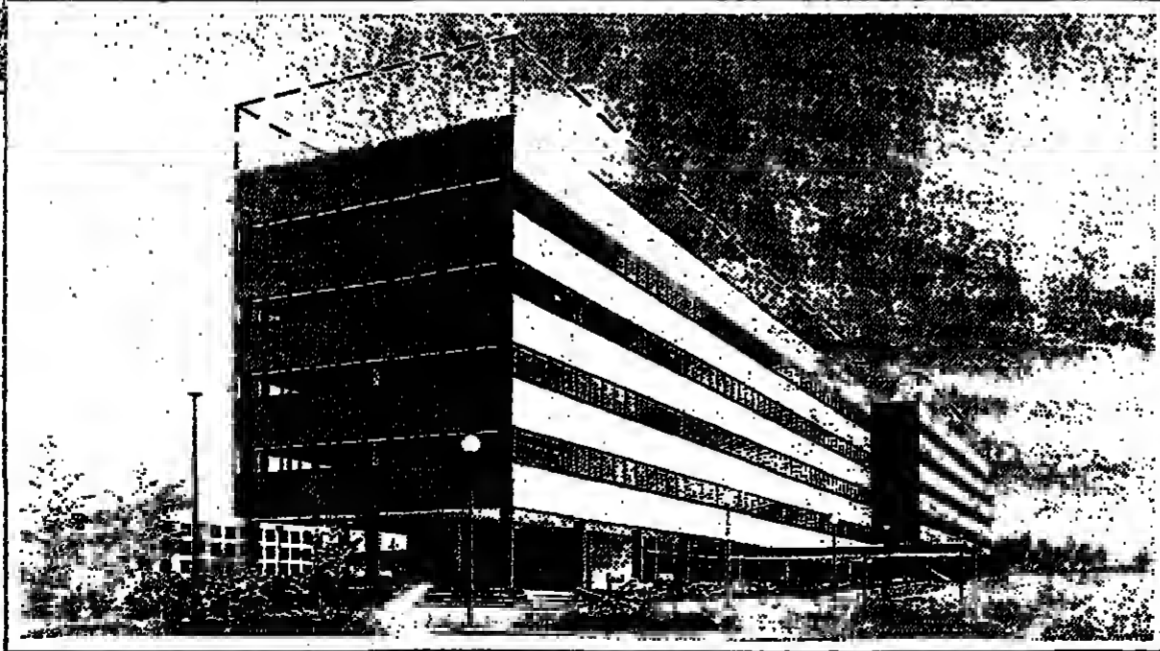
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BUILDING METHODS AND MANAGEMENT III

Colin Amery reports that old-established management methods are under threat

Clients adopt a fluid approach

ONE OF the effects of the recession is the development of new approaches to the supervision and construction of building projects. Competition is in the air and old-established professional ways are having to make way for more effective and commercial approaches to secure contracts and put them into effect.

It is important to point out from the beginning that there is a new climate in the building industry. One of the most important changes is the removal of the formerly rigid divisions and demarcations that existed among the various branches. The old hierarchy which characterised the design team—with the architect at the top and the main and sub-contractors next in line—is almost a thing of the past. Clients with large or small building commissions on offer have adopted a more fluid approach. This reflects the new complexities of the building process.

Today it is impossible to adopt one form of management for a major building project. All building projects are subject to a wide variety of problems. From the very first stages of design, clients have to be aware of the pitfalls of over-expenditure and the delays on the building programme that can be caused by labour disputes, shortages of materials and even the weather.

There are concealed difficulties in even the most straightforward design—functional faults do not always reveal themselves at the drawing board stage. All building operations from completely new buildings to renovations and maintenance contracts demand the services of professionals who understand their client's business performance and the prevailing economic climate.

While it is probably a truism to say that all building opera-

tions demand an individual approach there is always a need for good judgment and technical knowledge at a very high level. The failure of several building systems and prefabrication processes in the recent past has caused a major rethink of the initial selection and management processes.

Within the building industry there are professional advisers, contractors and a wide range of suppliers. All these elements of the building process bring with them a heavy army of skilled marketing men and trained negotiators ready and eager to convince clients that their approach is the best one.

Package deal

This can often be confusing, since each of these consultants looks at each project through a narrow focus. The building contractor sees a project as a test of his practical ingenuity while the architect may let considerations of design and aesthetics override all other matters. To resolve some of these complexities of the construction process a new interlinked series of professional skills are needed. Design-and-build, fee systems and project management are some of the newer approaches.

It is the package deal that many clients turn to if they are looking for speed in building. This special combination of a mixture of professional skills has within it the drawback that the client can lose sight of the advantages of the independent advice of one of the professions; for example, the particular trained design skills of an architect may get lost because he loses the independent relationship with his own client.

The traditional method by which most buildings are erected is by the appointment of an architect, quantity surveyor, and other consultants who

develop a design before tenders are invited.

Under this system contracts are usually placed with the firm offering the lowest tender. This tendering and designing process is often a long one. The new and now much used system of management contracting provides a service which allows a client to retain his independent advisers and, at the same time, gain the advantage of an early start on site and a speedier completion of the job.

A management contractor is selected at an early stage in the design process and then appointed to manage the construction of a project. The choice is made on the strength of the firm's management expertise.

Project managers are specifically debarred from undertaking any construction work. Fees are paid to allow for off-site overheads and a fair profit; expenses for site supervision are reimbursed. From the earliest provision of temporary works and site facilities all aspects of a large project are divided up into a series of separate "parcels" which are handled by a series of sub-contractors, selected by competitive tender and working under contract to the management contractor.

This form of management allows for an early start to be

made on site. Foundation work and piling can begin even while the design is in a fairly formative stage. A detailed master programme, often prepared by computer, sets the framework for the addition of a variety of different stages to be added to the project as it advances. This method, allowing for early starts on site, can save 12 or 18 months on the total programme.

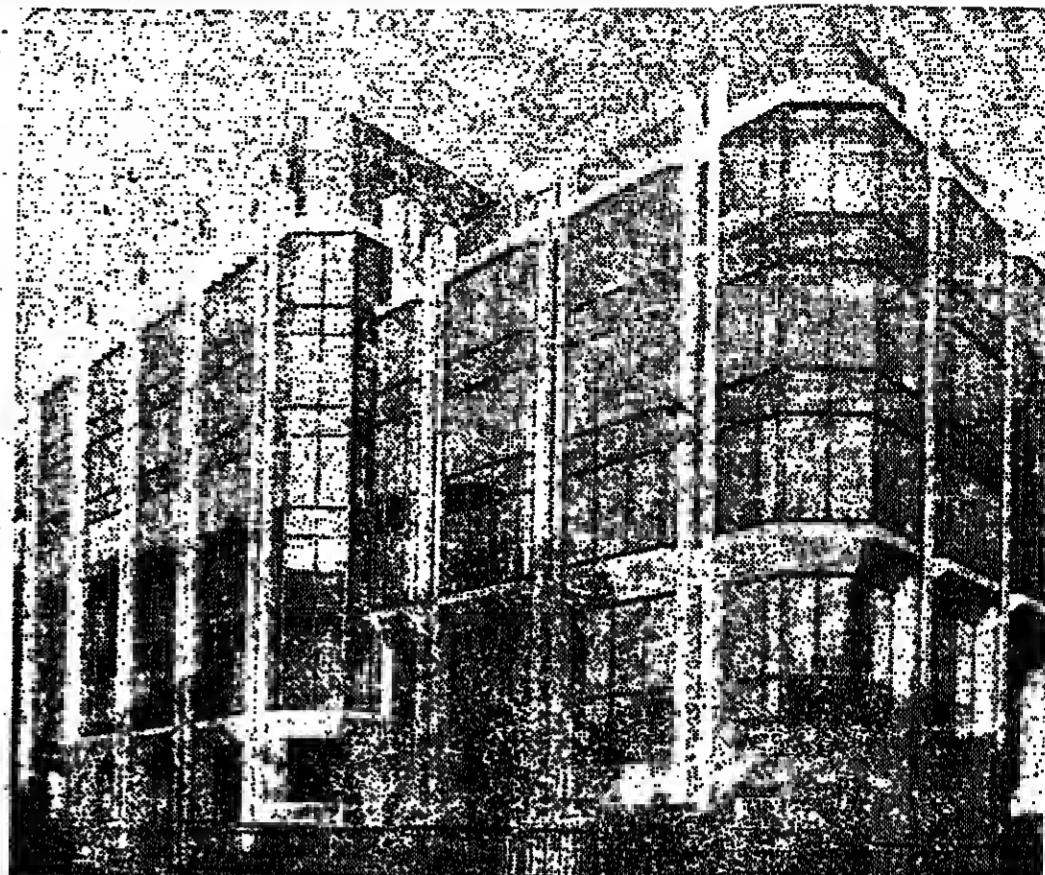
There are clear advantages for developers. Completion dates can be advanced, buildings are ready for use at an earlier date and the advice of the management contractor can ensure that costs are saved on materials and a shorter design period.

In a recent case of a public project being undertaken by the management contract method—the new civic offices for Chester-le-Street—work was able to start on site only seven months after the completion of the design brief. The design team for this scheme was led by architects Faulkner-Brown Hendy Watkinson Storer and the management of the contract provided by Wimpey Construction UK. The building, which cost £4m, was completed two months ahead of schedule and £100,000 within the budget. It is no ordinary town hall. It is designed as part of a pedestrian route through the town

with a glazed arcade for pedestrians who can approach the council's inquiry desks for the separate departments as they walk through. It is a built version of "open" government.

Design-and-build is the other method to be employed in cases when the old-fashioned fee system is less used. To counteract some of the bad performance areas of the building industry—cost, time and quality control—design-and-build offers simple choices.

Under the control of an architect a small job is handled with short lines of communication, and with a small work team allowing for good human relations. This work team is directly under the control of a full-time on-site designer whose job is to ensure that good clear drawings and documents are readily available and easily understood by all members of the building team. It is particularly important that the designer and the builders understand the relationship between the details on the drawings and the labour time involved. There is always direct use of efficient trade contractors with no middlemen main contractors. Combined with the intelligent use of direct labour this gives the designer total responsibility for all his decisions. The system leaves fewer opportunities for breaks



New bank buildings in Cannon Street, London, fitted out under a £1m management fee contract by John Lelliott for Midland Bank. The company, which specialises in refurbishment work, has also recently completed a £3m management fee contract at St Magnus House, Lower Thames Street, London

in communication and usually ensures a good relationship between the designer and the client. While many large companies and public bodies have their own in-house design teams the choice for most building projects lies between the use of a variety of consultants and a building contractor. The client must always have the last word but the newly developing links between all the building professions gives him a choice that is realistically based on both design skills and economically efficient management contracting.

# Housing the homeless isn't difficult.

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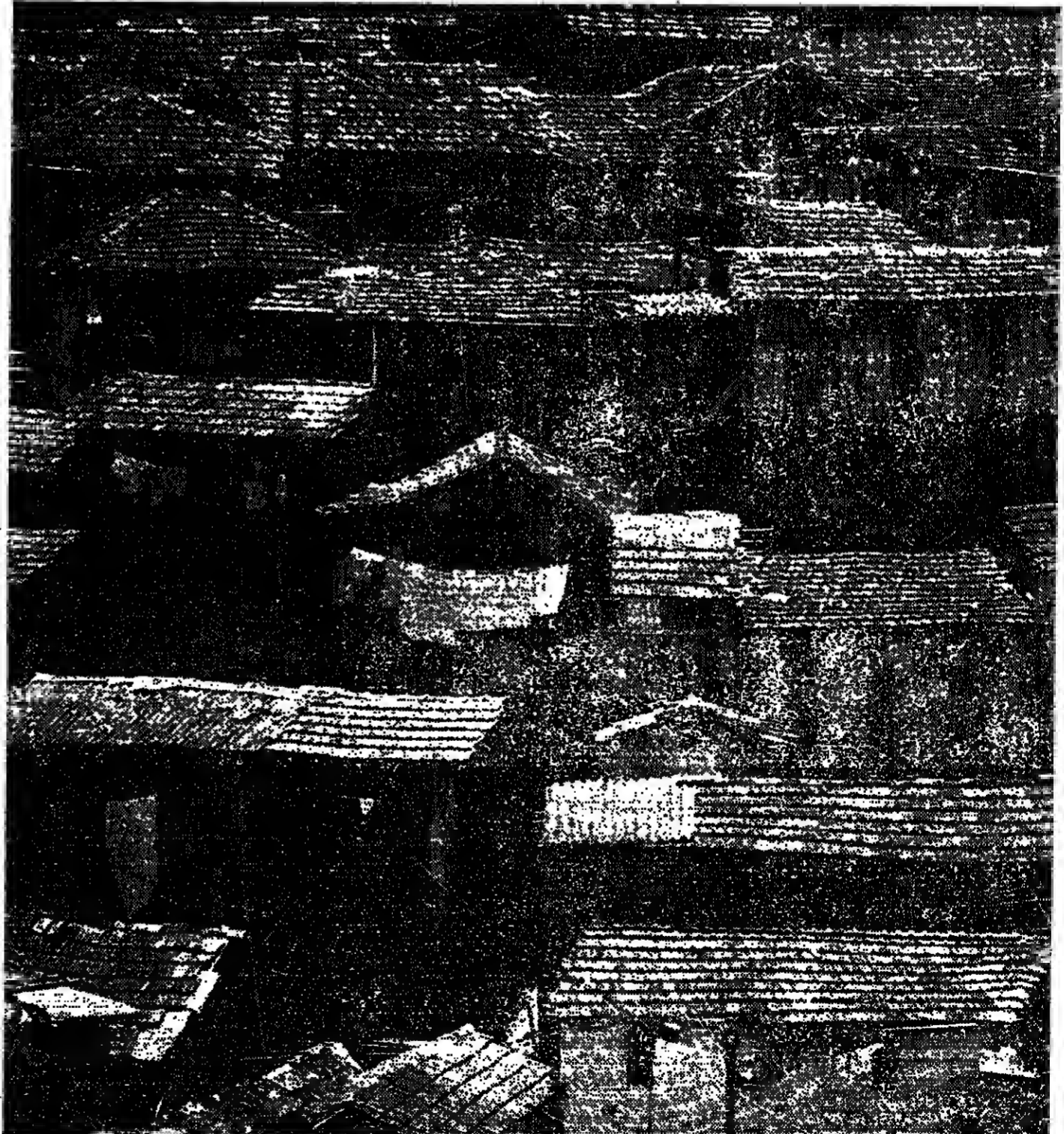
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SOURCES OF INFORMATION

Agreement Board Organisations  
P.O. Box 195, Bucknalls Lane, Garston, Watford WD2 7JR. 0827-3 70844.

Aluminium Federation  
Broadway House, 60, Calthorpe Road, Five Ways, Birmingham. B15 2TN. 021-455 0311.

Erick Development Association  
Woodside House, Winkfield, Windsor, SL4 2DX. 034-47 9651.

British Constructional Steelwork Association  
92-96, Vauxhall Bridge Road, London SW1 V2RL. 01-834 1713.

British Plastics Federation  
5, Belgrave Square, London SW1 8PH. 01-235 9453.

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2, Park Street, London W1A 2BS. 01-629 9000.

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52, New Cavendish Street, London W1M 8AD. 01-580 5585.

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26, Store Street, London WC1E 7BT. 01-637 8361.

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85-87, Clarence Street, Kingston-upon-Thames, Surrey, KT1 1RB. 01-546 7554.

Building Services Research and Information Association (BSRIA) (formerly Heating and Ventilating Research Association) Old Bracknell Lane, West Bracknell, RG12 4AH. Bracknell (0344) 25071.

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Garston, Watford, Herts. 08273 74940.

Cement and Concrete Association Advisory Division  
Wexham Springs, Slough SL3 6PL. Fulmer 2727.

Chartered Institute of Building  
Englemere, Kings Ride, Ascot, Berks. SL88BJ. Ascot (0990) 23355.

Chartered Institution of Building Services (CIBS)  
Delta House, 222, Balham High Street, London SW12 9BS. 01-675 5211.

Construction Industry Research and Information Association (CIRIA)  
6, Storey Gate, London SW1P 3AU. 01-222 8891.

Institution of Civil Engineers  
1-7, Great George Street, Westminster, London SW1P 3AA. 01-222 7722.

Institute of Housing  
12, Upper Belgrave Street, London SW1X 8BA. 01-245 9933.

Institution of Structural Engineers  
11, Upper Belgrave Street, London SW1X 8BH. 01-235 4535.

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NBA House, 7, Arundel Street, London WC2R 3DZ. 01-536 4458.

National Federation of Building Trades Employers  
82, New Cavendish Street, London W1M 8AD. 01-580 5588.

National House Building Council  
Chiltern Avenue, Amersham, Bucks, HP8 6AP. Amersham (04903) 4477.

National Physical Laboratory  
Queens Road, Teddington, Middx, TW11 0LW. 01-877 3222.

Royal Institute of British Architects  
66, Portland Place, London W1N 4AD. 01-560 5533.

Royal Institution of Chartered Surveyors  
12, Great George Street, London SW1P 3AD. 01-222 7000.

Timber Research and Development Association  
Stocking Lane, Hughenden Valley, High Wycombe, Bucks, HP14 4ND. Naphill (024 024) 3091.

Warren Spring Laboratory  
P.O. Box 20, Gurnells Wood Road, Stevenage SG1 2BX. Stevenage (0439) 3388.

Marketing success

CONTINUED FROM PAGE ONE

emerge for the contract price to be adjusted and, possibly, the completion date amended. As a result, the tender price is regarded by the contractor as a starting price which is liable to continual review at every opportunity.

But while critics of the competitive tendering system claim it is wasteful and certainly not in the best interests of the client, tradition counts for a great deal in construction and many clients remain convinced that the best way of getting value for money is via the open tendering process.

As for those areas of construction which represent the greatest medium-term potential in the industry's recent efforts in the housebuilding sector, warrant some praise. The housebuilders have not always shown a clear understanding of prevailing market conditions or of the preferences of potential customers but this time their performance has been credit-

able. The contractors have picked their markets carefully, building at a price and in a style designed to match prevailing demand. As a result, they have generally managed to sustain reasonable profit margins on a historically low level of sales.

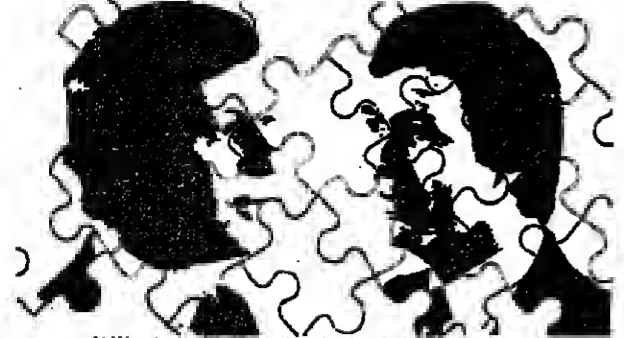
Good marketing has been an essential ingredient in the private housing sector's recent success and, whilst other areas of construction might not lend themselves so easily to the same sort of promotion, there is clearly scope for applying the same principles in other directions.

In terms of outside help, what the industry would really like to see is a substantial injection of public sector cash directly into its marketplace. It is only too well aware, however, that the political party most likely to consider such an approach has other, less palatable, designs upon the construction sector.

# BUILDING METHODS AND MANAGEMENT IV

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...putting it all together.

Recession has taken its toll on the building industry's supplies sector and managers have had to take some tough decisions to survive. There is, however, cautious optimism that business will improve next year. Companies are ready and eager to deal with any upturn

## Concrete slump prompts spate of takeovers

The 16.2 per cent fall in ready-mixed concrete production since the mid 1970s has prompted a spate of takeovers as companies look for ways of broadening their activities and gaining greater control over aggregates supplies. Four such deals have taken place in the last seven months. They have brought about a sharp re-orientation in market shares.

Tarmac shot to number three in the rmc league and became the UK's largest aggregates supplier after the 240m purchase last year of the Hoversingham Group sand and gravel

business. Its own quarry products division showed a record 23.5m profit over 24.2m in 1980 and this year should see further progress.

### Successful

The slump hit Arney Roadstone Corporation's profits last year but in April the company enhanced its position as the largest UK producer of construction materials with the 237.6m cash purchase of Blue Circle Aggregates. This was part of parent company Consolidated Gold Fields' policy of strengthening UK natural

resource investments. It also led to ARC Marine acquiring Westminster Gravel from Royal Bostkiss Westminster of Holland.

Redland's failure to buy Hoversingham last year led it to a successful 210m bid for the diverse operations of Cawoods Holdings. The deal adds spice to Redland's rmc and aggregates business as most of Cawoods' 232m turnover comes from fuel distribution. Even so, sand and gravel, rmc, builders' supplies, road materials and concrete products provided 251m of Cawoods' turnover and contributed about 30 per cent of its 213.5m group profits in 1980-81.

Behind this flurry of activity, however, rmc deliveries went down to their lowest level for 15 years and market leader Ready Mixed Concrete surprised no-one when it showed 23.4m profits on its UK trading against 27.9m in 1980. Despite the squeeze on volumes, the company held its market share and showed a modest upturn in margins on slightly higher sales in the second half.

There are indications that this year could be the beginning of the end of the recession and companies hope to see beneficial effects in the second half from the budget and lower interest rates. According to some forecasts, if all goes well Ready Mixed Concrete could see profits on its UK concrete and aggregates business climb to a total 221.7m from last year's 219.1m.

As the recession has in some cases reduced capacity so it has discouraged investment in new plant. The coated materials companies have fallen behind their U.S. counterparts which are using more efficient drum mixers in road maintenance work. ARC, on the other hand, is spending 23.5m on introducing fluidised bed combustion furnaces at its blacktop plants as part of an energy-conscious switch from oil-fuelled heat to coal.

### Merger

The restructuring within the sector gave rise last month to a new trade association, the British Aggregate Construction Materials Industries (BACMI). Through the merger of the Asphalt and Coated Macadam Association and the British Quarrying and Slag Federation, its initial membership—Tarmac, ARC, Redland, Pioneer Holdings, Titeon and English China Clays—reflected the way in which the interests of hitherto disparate companies had combined.

BACMI now has 36 members and claims already to represent 60 per cent of the sector's estimated 22bn turnover. As soon as it secures the affiliation of Ready Mixed Concrete its membership is likely to climb quickly to more than 100, giving it the authority it needs to confront the Government on the key issues of roads, housing and inner cities. In the words of Mr Robert Phillips, Director-General: "This part of the private sector has suffered enough."

Roger Hogan

## Brick sector ready for take-off

The UK brick industry is dominated by five main suppliers. The giant, London Brick, controls around half of the market, with the others accounting for almost 40 per cent more. Hanson Trust-owned Butterley Building Materials and Dabco Johnson expect to notch up around 12 per cent each in 1982, with Steetley accounting for a further 8.5 per cent, aided by its acquisition of G. H. Downing last year. Redland trails at five per cent, even after this summer's purchase of the Stourbridge Brick Company for 24.1m.

The companies tend to specialise in particular areas of the market. For example, Steetley leads in production of special quality facing and engineering bricks, used in harsh weather conditions of wherever durability is essential.

Market shares have also been affected by the recent swing to facing bricks, as opposed to load-bearing common bricks, a result of the increasing use of timber-frame techniques in house-building. In general it is the companies which still produce a high proportion of common bricks which have been forced into the most stringent rationalisation.

London Brick, for instance, although it makes around two thirds facing is still the largest manufacturer of common bricks. It laid off around 2,100 people during 1981 and the start of 1982, representing 25 per cent of its work-

force directly engaged in brick making. The company also closed its Ridgmont plant in Bedfordshire, an expensive move which caused nearly 1,000 redundancies but enabled its remaining plants to revert to full-time working.

Chairman Jeremy Rowe has recently noted, however, an underlying improvement in demand. The company is on the point of announcing a major re-organisation to create a new building materials company which as well as selling bricks through its own distribution network will increase L.B.'s penetration into other areas of the materials market. It also plans to rebuild Ridgmont.

### Competitors

London Brick does have one ace in the hole; it produces entirely setton bricks from clay mined locally which needs far less energy to take than normal.

Of its competitors, Dabco Johnson, the so-called "Rolls-Royce of UK brick makers" which manufactures exclusively high quality facing bricks, has recently reported dismal results. It diversified overseas in the 1970s, with a lack of success which is highlighted by the 21m loss made in the U.S. in the first part of 1981. Continental operations have not gone well either and a loss-making plant in Belgium was sold at the end of 1980.

The UK side has shown considerable resilience, helped by the fact that it re-

lies on the volatile housing sector for only 50 per cent of its sales, against an industry average of more than 75 per cent. Despite the mothballing of one of its 11 plants it still saw a one per cent increase in dispatches in 1981 against a fall of four per cent in the facing market generally. Derby-based Butterley is the largest UK exporter of facing bricks and has had a good spell in the past couple of years. The Hanson Trust has continued to invest in modern brick making plant, as well as keeping an eye open for possible acquisitions—it allowed its own offer for Downing to lapse once Steetley entered the fray.

Prospects for the industry are good—in fact, some analysts have suggested there may be a brick shortage if the projected housing boom gets under way. Deliveries for the past two years have been poor—they started to fall in 1979 and reached a low of 3.6bn last year. But a figure of 3.8bn is expected for 1982 despite the difficult winter, and the Building and Civil Engineering Economic Development Committee was recently optimistic enough to revise upwards its forecasts for total housing starts this year up from 125,000 to 170,000. Most closed plant in the brick making industry has been mothballed rather than broken up and the industry is in good shape to cope with any take-off in the housing market.

Martin Waller

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### Authorities

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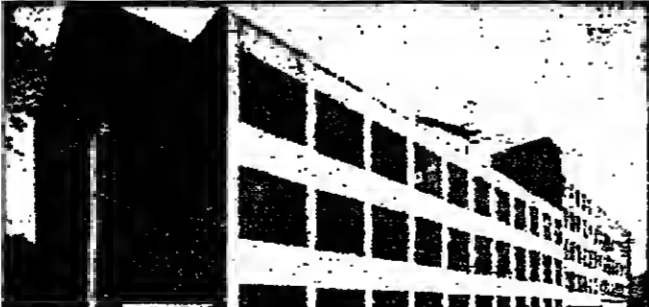
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Reigate and Banstead Borough Council - Preston Lane - 36 dwellings.  
Surrey Heath Borough Council - Lightwater - 38 dwellings.  
Brook Street Housing Association - Harefield - 44 dwellings.  
Crystal Palace Housing Association - Hackbridge - 12 dwellings.

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Metropolitan Borough of Calderdale - New Civic Offices, Halifax. Architects: Borough Architect's Dept. T6 Frame & Cladding by Trent.



Office Development, Orpington. T6 Frame & Spandrel Cladding by Trent. Architects: W R L Jenkins & Associates. Contractor: R Durnell & Sons Ltd.

On the face of it, a structure based on a normal *in situ* concrete frame looks very much like one based on the T6 method. Even when looking more closely at some technical aspects, there is not a lot to choose between them in terms of design flexibility, materials cost and, say, fire rating. But when it comes to speed and accuracy of construction, the quality and range of finishes achievable and efficiency on site, T6 really proves its superiority.

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THE MOST important development in the timber market in recent months has been the proposed defensive merger between the UK's two largest independent timber importers, Montague L. Meyer and International Timber. The latter, still awaiting a decision from the Office of Fair Trading on a referral to the Monopolies and Mergers Commission, would create a new group controlling around 15 per cent of the UK imported softwood market.

The deal has been born out of weakness on both sides, with only International Timber scraping up a small profit last year. It highlights the extra problems facing the extremely fragmented timber industry in the UK over and above those caused by the recession.

Recent years have seen a strong move away from the traditional decorative hardwoods among UK consumers and into the softwoods from North America, Russia and Scandinavia. But during the 1970s these overseas suppliers realised the advantage of setting up their own outlets in this country and cutting out the British middleman. This kind of vertical integration has meant that around 50 per cent of Sweden's softwood imports to the UK now pass through a Swedish distributor, as against around 5 per cent at the start of the 1970s.

This has badly hit IT and Meyer, along with the next two largest independents, Holts Bros and ESA and May and Hassell, and could hardly have

come at a worse time for them, coinciding with a drop in sales caused by the recession. Softwood consumption in the UK fell from just under 7m cubic metres in 1979 to slightly more than 5.5m in 1981.

The industry has reacted by trying to diversify its operations as well as by the familiar tactic of rationalisation programmes. The pure timber importer, above a certain size, has long been extinct; companies have always tried to expand vertically by adding to the value of their imports, whether by cutting and planing them or by manufacturing something out of them.

But the success story in this field, Magnet and Southern, has been a spur to the others. The producer of a merger in 1975, it imports timber and makes doors and windows, retailing these direct through its network of more than 250 depots. It has shown a steady and enviable growth in turnover and profits in the past five years, successfully bucking the trend of the recession despite a slight lull in 1981.

The recent rise in popularity for timber-frame housing affords similar opportunities to its competitors, especially if this coincides with the expected private housing boom in 1982 and 1983. Meyer and International Timber, along with John Carr (Doncaster), which supplies Midland local authorities and private builders like Barratt and Wimpey, have made inroads into this increasingly important market.

## UK market may never be the same again Cement consumers look overseas

IN SOME respects the recession has been like an invigorating cold shower for the cement industry. Sales in the UK have dropped a massive 35 per cent since the early 1970s and companies have reacted by cutting production costs, diversifying their profit base and looking for new investment opportunities overseas.

Rugby Portland Cement, the second largest in the market after Blue Circle, has adapted better than most to the slump in domestic demand. It scored a record 21.3m profit in its UK cement trading last year over 21.3m in 1980—largely as a result of its "leaner and fitter" approach. It took away some of the market from Blue Circle whose 17 per cent fall in UK cement profits was offset by a boost in its overseas operations.

When Lord Boyd-Carpenter became Rugby's chairman in 1976, annual deliveries in the UK were, at 15.5m tonnes, running uncomfortably below the average 17.7m tonnes of the previous five years. Almost immediately the company began looking for ways of reducing production costs and bringing capacity in line with falling demand.

The first target was the hefty 40 per cent slice of manufacturing costs attributed to energy consumption, especially through the traditional use of coal-fuelled hot dry slurry during the production process. The company invested 22m in turning over its Rochester works to the new "semi-wet" process and the plant has now doubled its capacity on a mere

20 per cent increase in fuel bills. While these improvements in capacity and costs put the company in a good position to take advantage of the upturn in construction when it comes, the recession is throwing more emphasis on packed cement than on bulk as the proportion of repair and maintenance work to new building increases.

Rugby is catering for this shift in demand by improving its standards of service and distribution with the introduction of automatic loading and palletising facilities. Next month it turns its Lewes, East Sussex, works into a depot with the loss of 50 jobs and a further 46 jobs will be shed at the same time with the closure of the kilns at its Warwickshire base.

### Single plant

Contraction is not the whole story, however, and in January last year the company made its first venture into the United States with the purchase of one third of the capital of U.S. Cement. The \$5.1m (£2.1m) deal brought with it subsidiary Hercules Cement which has a single plant operation in East Pennsylvania but is not expected to show "substantial" profits before next year.

The commissioning of the new-link Rochester works in mid-1980 helped to keep Rugby's profit margins steady at just under 27 per cent and its response to the demand for bagged cement accounts for the increase in market share from

46.2 per cent to more than 47 per cent. Blue Circle, whose customers include a high proportion of big site buyers, lost 5 per cent of the market.

It remains to be seen how Rugby will cope with the inevitable backlash from Blue Circle and, more importantly, Rio Tinto-Zinc which acquired nearly 50 per cent of the market earlier this year with the purchase of Thos W. Ward and Tunnel Holdings. RTZ has started in earnest to integrate its cement activities and last year cement played an important role in Tunnel's 48 per cent rise in pre-tax group profits.

Blue Circle has also updated its plants and diversified with the acquisition of sanitaryware manufacturer Armitage Shanks and subsequent investments in the U.S. Its 2750.2m turnover dwarfs Rugby's 214m and overseas interests took pre-tax profits up 32 per cent last year to 210.1m. Some pundits predict that they could boost the figure to more than 2200m in 1982.

Despite the success in maintaining healthy balance sheets, there is a growing feeling that the market in the UK may never be the same again. The 24 per cent price increase forced upon customers in 1980 drew strong protest from the concrete product manufacturers and many are looking seriously at the prospects of importing supplies from Europe. The effect of the cement industry's own doorstep is as yet incalculable.

R. H.

## Timber importers move into softwoods

Most rationalisation within the industry has come less through company collapses than by contraction and closure of depots. IT has cut its workforce by 25 per cent over two years, as well as selling redundant property. Its manufacturing division was forced to switch to a four-day week for part of 1981. Meyer made a similar cut in employees and closed its Crosby Windows factory at Gloucester along with three of its eight UK packaging factories.

Further mergers are perhaps unlikely—it has even been suggested the Meyer-IT deal, as well as favouring Meyer, may not actually have the required restorative effect. But a large raw materials conglomerate may well step in and take over one of the importers, much as Brooke Bond Liebig grabbed Mallinson-Denny at the start of 1981.

M. W.

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Colin Amery reports that changes cover all areas of working life

# Architectural profession in turmoil

NO ONE can be in any doubt that all those who operate in the building business are doing so in a new professional climate. Certainly the architectural profession is in a turmoil of unprecedented change.

The changes cover all areas of an architect's working life—his fee scale is now open to tender, his Conditions of Engagement have been revised and the Code of Practice radically altered. All these have been brought about by the growth and changes in allied professions, particularly the surveying profession, which has taken away from architects many of their traditional functions.

The most important change that directly affects the nature of architectural practice is the revised Code. Early last year the ban was removed on practice in the form of limited liability companies. It is now possible for architects to make direct approaches to potential clients, although they cannot

take out an advertisement in newspapers or magazines. They are also allowed to have a direct interest in property development companies, manufacturing and contracting businesses.

The Architects Registration Council for the United Kingdom (ARC UK) now provides "a common standard of conduct" for registered architects. Unlike the recently introduced Architects Code of the American Institute of Architects, the British code is not as voluntary and does place as much emphasis on individual conscience. It has taken nearly two decades of discussion to relax the Code which suggests a considerable body of resistance.

### Conditions

More wide-ranging in their effects may be the new Conditions of Engagement, which offer both architect and client a wider range of work methods

and project control. Mrs Sally Oppenheim's decision on the Monopolies Commission Report has led to the disappearance of the mandatory fee scale. Architects are free to tender competitively against each other—the results of this in terms of building quality are something to be watched with concerned interest.

It is worthwhile, in the light of all these changes, to look at the nature of professionalism. The origin of the code of practice lies in the nature of the service provided by architects, surveyors and engineers. The client for these services cannot sample them before he buys them. It is therefore essential that he should be able to call upon advice that is independent, disinterested and from an ethical standpoint above reproach. The professional by these older arguments should have no monetary interest in the sale of his services—beyond a reasonable fee.

The profession has become separated both by the rise of the highly qualified "manager builder" and by the proliferation of sub-contractors, manufacturers and suppliers, all of whom by their skills control a great deal of the building process.

The spread of regulations, laws and bureaucratic controls has also weakened the professional's hand. Building regulations, planning committees, the Royal Fine Arts Commission, public inquiries, standard controls, safety regulations, sanitary rules and a host of other restrictions have reduced professional influence and responsibility.

Changes in the nature of the contractual side of the building business means that negotiations, package deals and management contracts have become so complex that architects need lawyers, arbitrators, accountants and even underwriters to sort out their professional responsibilities.

Has the nature of the "professional" then changed? No one would argue that a great deal of professional standing relied on a mystique that has been dispersed. Changes in the nature of society have meant that the professional, whether architect or lawyer, is no longer a member of an isolated class.

There have been such considerable changes in the nature of the industry concerned with building that this has affected the standing of the professional. Builders are no longer a cloth cap brigade with cigarettes behind their ears. Instead they have become managers who are highly qualified at putting together sophisticated components.

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### Special breed

The decline of the architect as a professional may in fact go back to the establishment in the last century of the Royal Institute of British Architects; this created architects as a special breed concerned with style and taste. This in its turn led to the architects losing control of the surveyors and the building industry.

In his professional isolation it was possible for the architect to leave the control of actual building to the contracting industry. Experimentation in structures was left to the

engineers and the all-important control of costs to the surveyor. This is open to argument. Architectural education is intended to produce a man with technical, aesthetic and administrative skills but the increase in specialisation has cut off architects from the very essence of building.

Architects will probably never assume the automatic leadership of the building professions that they were once expected to expect. Building has become too complex and at the same time too commercialised for any but the most brilliant architect to make a large impact.

What is more likely in the future is that the profession will move in two separate directions. A certain kind of architect will move closer to his clients, serving individuals rather than the corporations and committees of industry and government. The remainder, freed by the new code, will move into speculative work and development, using their design skills to maintain standards.

New technology, the influence of computing techniques on design and the vital growth of energy conservation are all influences that will affect the professional's contribution in the environment. Internationalism is also bound to affect the way architects and engineers apply their professional standards to the seeking of work and their organisational performance.

It is vital that the architects and their colleagues in the other building professions move more closely together. All trainees in the building profession should have practical experience of actual building techniques as well as shared experience in the design process.

Recently one architect described himself in a schizophrenic vein as a multi-disciplinary entrepreneur and an over-qualified oarvy. The new professional freedom certainly makes it possible for architects to choose their level. They would find it easier to retain their clients' and the public's confidence if they continued to retain their professional expertise to ensure a disinterested competence. In the years ahead more competition should not mean freedom to lower standards of design.



The flying deck form system in operation

## New aids cut access problems

THE CONSTRUCTION industry suffered severely last year with a drop in output of 12 per cent in volume and a severe squeeze on margins. The result has been to concentrate the industry's attention both on new methods of building aimed at saving time and money, and on new aids to simplify the construction process.

One major problem on modern sites for which solutions have had to be sought is access and here among the most ingenious systems devised has been the flying deck form system.

This was developed in the U.S. and is being used more widely in the UK. The deck form is used for laying the concrete and the Acrow Form-Eze, one of the deck forms on the market, is designed to handle beams in conjunction with slabs without difficulty.

The whole system does away with the need for scaffolding.

The concrete slab is simply flown into place.

Acrow Engineers say a minimum four or five storey building is needed to make the system worthwhile. The system is not only applicable for high rise projects but also for repetitive lower level buildings.

Flying platforms were regarded initially with some suspicion in the UK, but that initial scepticism appears to have been overcome. There are significant savings on labour—important because of the possibility that the UK construction industry could be faced with a skill shortage—when demand picks up again. A National Economic Development Office working party paper recently cast doubt on the ability of the industry to cope with a sudden take off in activity.

While the flying deck platform is produced by several of Acrow's rivals, the company believes it has stolen a march

over them with the introduction of a lightweight aluminium formwork system. The system called a Standard A Form Panel is aimed at refurbishment projects where space is limited and where the fact that one man can carry the panel gives greater flexibility to the way the project is carried out.

The Standard A Form panel is 40 per cent lighter than equivalent steel panels and is easily transported, handled and stored on site.

The system is designed particularly for projects where space is limited.

### Platform

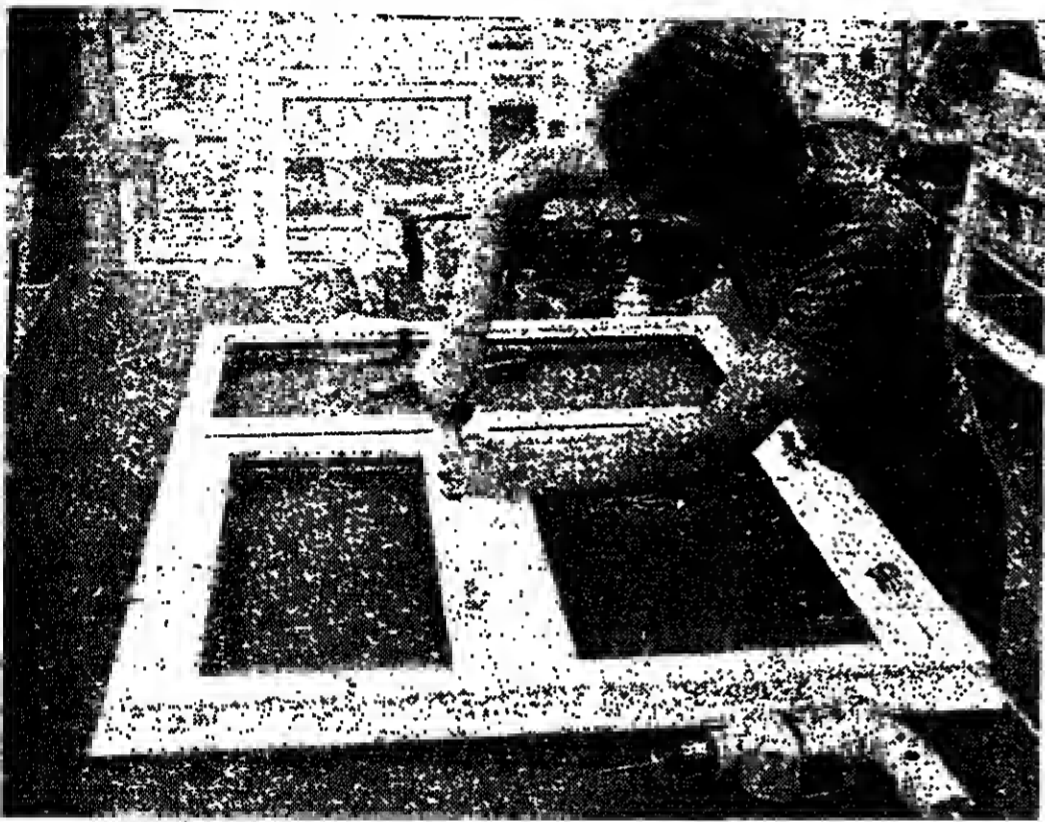
Another space saver is the Anticlimber system. Work can be carried out where the alternative would be to erect a scaffold around the building. The system consists of a rack and pinion driven climbing work platform. A steel lattice mast is fixed to the building at 7.5 metre intervals and a platform up to 16 metres long—with its own electrically powered drive unit—climbs up the mast at the rate of nine metres a minute. A continuous platform around the perimeter can be provided by erecting similar units. Work can be carried out at different levels with rapid changes of level with no inconvenience to the building's occupants.

Various other product innovations have also appeared over recent years. The concrete makers, for example, are pioneering great lopes on block pavers—blocks the size of fleurons which can be moulded into virtually any shape and which have high stress properties for bearing weights. The window market is another centre of product innovation and the traditional softwood frame has been challenged by a wide range of materials such as galvanised steel, plastics and aluminium.

But while speed building systems, new panels and on site storage units have changed the appearance of the building site—and incidentally speeded up work and boosted efficiency—one of the most significant aids, the computer, remains out of sight.

Services, circulation, energy controls and schedules are obvious applications for computer analysis and there has been an increasing tendency for smaller companies such as architects and subcontractors to use them. The main advantage is seen as help with tendering work—a crucial area in the recession and doubly so in a recession where the building sector provides one of the highest rates of business failure.

Gareth Griffiths



Plastic window frames made from BIP Vinyls-Beeble PVC compound being fabricated. Plastic could account for 25 per cent of the window frame market in the UK by 1985 with production running at 2m assemblies and consuming 35,000 tonnes of PVC, according to one recent estimate.

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# BUILDING METHODS AND MANAGEMENT VI

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The buyer of a new home needs to be able to sort out the competing claims of timber and concrete block. Rhys David reports.

## Row sparked after arrival of newcomers

CRACKS HAVE been appearing lately in the building industry's facade following the appearance of what are considered to have been rather ungentlemanly remarks by one sector about the products of another.

Alarmed by the rapid growth of timber-frame housing the manufacturers of the rival brick and block products have hired a public relations advisor, launched a campaign for "traditional" housing and in two widely distributed publications queried whether the new system was as good as the claims made for it.

Obviously, the brick and block people have been asking whether timber frame is not more susceptible to rot, fire and insect attack, whether it is likely to represent such a good investment for homeowners over the long term, and, indeed, whether the adherents of timber frame dwelling can be erected in eight weeks, compared with up to 20 weeks for a conventional house. As soon as the frame has been put up the roof

building skill league, largely passed over by innovative thought and development effort." So says Paul Marsh, the Housebuilding Advisory Bureau information officer and himself an architect.

The opportunities for a brand-new product in a rather complacent market were spotted in the mid to late 1970s by Canadian producers of timber whose main outlet, the U.S., was beginning to contract as a result of recession. The key advantage they were able to offer to builders was financial. Though the material is no cheaper than brick and block its use does allow builders to complete houses much more quickly. This enables financing costs to be cut drastically—a very important selling-point at a time of rapidly rising interest rates.

From concrete slab—the basic starting point for the modern house—to completion a timber frame dwelling can be erected in eight weeks, compared with up to 20 weeks for a conventional house. As soon as the frame has been put up the roof

can go on and once the house is waterproof tradesmen can go in to install plumbing, electricity and other services. All the while the bricklayer can be adding a largely cosmetic outer coating of bricks. Crucially, all these operations can be carried out to fit in with the availability of craftsmen. In a conventional house the sequence of events is altogether much more rigid.

"Shortages of skilled tradesmen such as bricklayers can often be a problem on housing sites. With timber frame, pre-manufactured panels are supplied to the builder on site and can be erected with relatively unskilled labour," Mr Gavin Sharpe, group marketing manager of Powell Duffryn Timber, one of the leading suppliers of timber frame systems, points out.

"With timber frame the builder can put up a show house and invite prospective purchasers to select the plot of their liking by the time they have obtained their mortgage and the paper work is sorted out with the solicitor the house will be ready," one builder using timber frame says.

Once inside, the new buyer does not have to wait to decorate. The interior is dry-lined with plasterboard rather than wet plaster—another reason for the speed of construction.

The main asset likely to be impressed on the customer, however, is the fuel bill savings as a result of the insulation properties of the sandwich of materials used in timber frame walls. This is well able to meet the new insulation requirement—a maximum U value for domestic walls of 0.6 W/m<sup>2</sup> Deg. C. compares with the previous 1.0) which became mandatory in Britain for new dwellings from April 1 this year.

For all these selling qualities there appears recently to have been a pause or at any rate a slowing down in the advance of timber frame. At least one big group, Tarmac (through its John MacLean and Sons subsidiary), has said it will be sticking to traditional brick and block in its new lines.

The group in conjunction with the Timber Research and Development Association (TRADA) was one of the first to market timber frame houses, building several thousand for local authorities. It now claims there is market resistance to the method in the middle and upper price brackets. It also claims to be able to build conventional houses itself in 10 weeks and so compete head-on with timber.

Other builders such as Bovis, which this year will build about 3 per cent of its new houses in timber frame, are keeping their options open. The company says that if it were to move strongly into the starter market—homes for first-time buyers—it would use more timber. Use of the material will grow but the change may not be dramatic, Mr Philip Warner, chief executive of Bovis Homes said recently.

Among the most obvious disadvantages of the timber frame housing does need to be put up very carefully and, as with all products enjoying rapid growth, there is a danger, the industry admits of cowboys being drawn in. Correct installation, as will be offered by reputable builders, is vital to ensure not just the engineering integrity of the structure but the maintenance of the vapour barriers required if problems such as rot are to be avoided.

by builders who might not have a full understanding of the principles involved.

Materials, the NHBC has noted, are not just from North America and Scandinavia, where high standards prevail, but from other sources which are possibly less reliable. As yet, too, there is no mandatory requirements for the materials used in timber frame housing to be protected with preservatives against rot and infestation, though some big builders do use pre-treated woods and a new standard making this obligatory is likely next year.

One major failure already come to light in Cornwall where a group of 18 bungalows built ten years ago has suffered wet rot and will cost £120,000 to repair.

The householder, too, is likely to have to be more careful in making alterations to a timber-framed dwelling so as not to breach the vapour barrier, thus allowing water to get into the timber, and special—though readily-available—fixings are required to make wall attachments.

The timber frame industry is able to point out that problems such as rot are not suggested by the evidence from years of use in North America or Scandinavia where timber not only has a near 100 per cent share of the market in inner leaves but is used externally as well. The campaign for traditional housing responds however that Britain has a somewhat damper climate than the other two areas.

The campaign also argues that brick and block, while not such a good insulant as the timber frame rival, will give a more balanced room temperature. With timber frame the heat is contained in the room by the insulation and is dissipated with air changes after the heat source is turned off. With brick and block the walls store and re-radiate heat.

Exactly what proportion of the market timber frame will eventually capture is impossible to guess though it seems unlikely to plateau at its present level or climb, as some of its advocates believe, to take over the bulk of the new housebuilding market in the not too distant future.

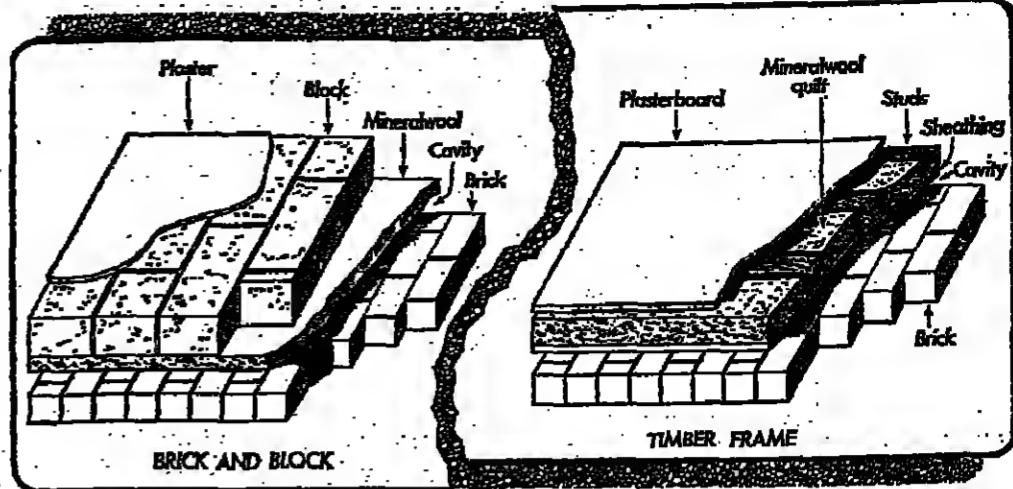
The brick and block manufacturers, apart from launching their counterblast through the housebuilding advisory bureau, have also recognised that they must improve their own methods if they are to defend market share.

Brick and block manufacturers, under pressure from the tighter insulation regulations now in force, have also been bringing out improved products. Lightweight air-filled concrete blocks offering better insulation characteristics have been in use for some time and have been increasing market share.

Masonry wall packages, complete with the insulation layers necessary to meet the new requirements already built in, are now also available, and systems have been developed by foam suppliers such as BIP for pressure filling hollow building blocks with insulation.

At the same time, while timber frame offers financial gains to the major housing groups with large buying departments and the ability to plan site operations in great detail, the same is unlikely to apply to the small operator who may well prefer the greater flexibility offered by the use of traditional materials.

The economics of housebuilding, however, would seem to point remorselessly to further contraction in the number of small builders with big well-organised groups increasing their share. Providing the advantages they achieve financially from the use of timber frame do not diminish—and assuming there is no consumer resistance to the product—the likelihood is that, particularly in the starter homes market, wood will dominate.



## How the two methods differ

Brick and block was virtually the only method in use until comparatively recently. The outer wall will consist of brick which is usually separated by a cavity from an interior wall made of blocks (which can be in a variety of materials and compositions). The internal surface is coated in plaster (generally applied wet) which creates the surface for decorating.

Brick and Block's ability to meet the new 0.6 U value insulation requirements depends on a number of factors: thickness and composition of the blocks, and whether or not the cavity is filled with insulation.

In some systems insulation is added internally to the blocks within the house and a dry lining is then attached to this surface. Block thicknesses vary between 90 mm and 150 mm.

Aerated Concrete Products Association, the Brick Development Association and the Cement and Concrete Association) at CPR House, 12 Crane Court, London EC4A 2JJ (01-583 0518).

### Resistance

Several systems for timber frame housing are in use. In the most widely-used the structure consists of a series of vertical one-storey softwood studs (or uprights) fixed to a preservative treated sole plate (at slab level) and to a head binder (at ceiling level). Sheathing (generally plywood) is attached to the studs externally to provide racking resistance and is itself coated with breather paper and vapour barrier. The interior wall—surface within the dwelling is created by dry-lining (plasterboard) attached to the studs and the space between the external and internal surfaces alongside the studs is filled with insulating material.

External weatherproofing is

provided by brick or other cladding, separated by a cavity from the timber frame, and fulfilling no structural function.

Builders have to submit engineering calculations for timber frame houses to the local authority for building regulation approval. The major builders using the system use their own engineering design departments to draw up plans. The smaller builder can obtain from leading timber suppliers a package consisting of all necessary drawings and cross-sections, assembly details and even instructions for nailing and nail sizes.

Information on timber frame can be obtained from the British Woodworking Federation, 82 New Cavendish Street, London W1M 5AD (01-580 5588) and from the Timber Research and Development Association (TRADA), Stocking Lane, Hughenden Valley, High Wycombe, Bucks, HP14 4ND (04942 3091).

R. D.

## Proportion of timber frame and price by size of builder

(UK figures—October 1981 to March 1982)

Companies annually starting	Timber frame		Other (mostly brick and block)	
	Number of starts (000)	Average price (£000)	Number of starts (000)	Average price (£000)
1-10 units	1.0	37	90	36
11-20 units	0.7	31	90	29
21-50 units	1.0	29	94	30
51-100 units	2.2	27	80	27
101+ units	7.5	25	63	27
Total	12.8	28	42.6	30

Source: National Housebuilding Council.



## Half-way house

A TIMBER-FRAME house half-way through construction.

The system now accounts for roughly one-quarter of housing starts in the private sector and it is expected to grow in popularity rapidly.

Large builders starting more than 500 units a year are the main users. They currently account for more than 37 per cent of timber-frame starts.

TIMBER FRAME HOUSING COMPLETIONS	
1974	22,225 (8.3%)
1975	37,681 (12.7%)
1976	47,014 (14.5%)
1977	48,004 (15.0%)
1978	43,214 (15.0%)
1979	39,200 (15.1%)
1980	45,966 (19.5%)
1981	47,530 (22.9%)*

\* Provisional est. Source: Trade estimates

## TIMBER FRAME—MARKET SHARE ANALYSED BY DWELLING TYPE

(Britain, October 1981 to March 1982)

House type	Total starts*	Percentage of Timber frame starts in house type
Detached house	14.4	74
Detached bungalow	4.5	17
Semi-detached house	11.3	26
Terraced house	11.7	33
Attached bungalow	3.0	30
F flats and maisonettes	10.5	24

Source: National Housebuilding Council.

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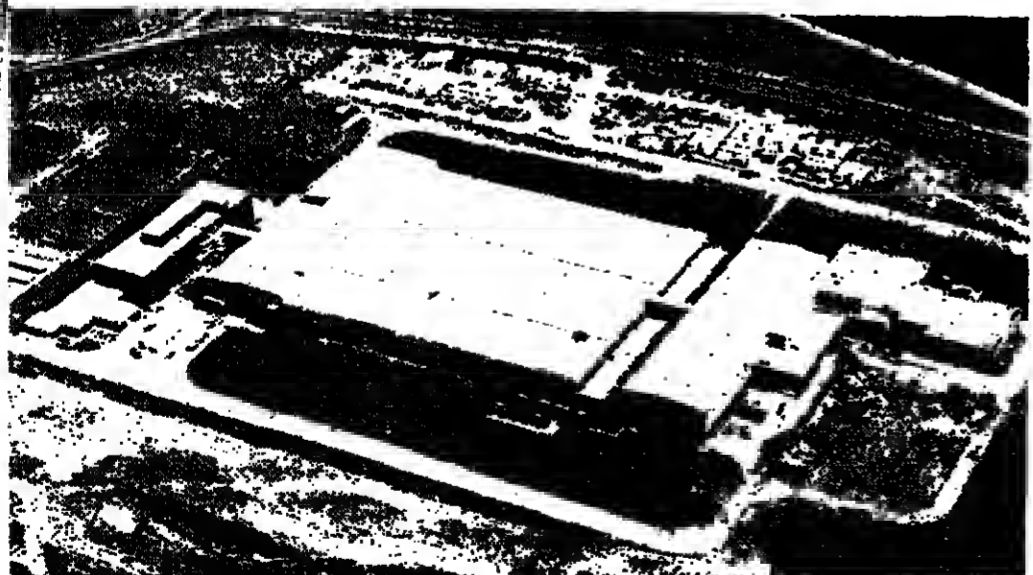
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# BUILDING METHODS AND MANAGEMENT VII

Arthur Smith looks at the assembly line method of building homes

## Houses which are made in factories

HOUSING constructed on assembly line principles, where everything including the kitchen sink is installed in factory controlled conditions is a distinctive sector of the building systems market which is currently dominated by the Hallam Group of Nottingham but which is likely to attract increasing interest by other groups in the future.

Hallam is firmly into the timber-frame system of housing which has emerged in recent years as a serious competitor to traditional methods. The difference is the extent to which the Nottingham company has transferred building problems from the site to its Langley Mill factory, where around 20 units a week are currently being turned out.

Hallam has established a niche for its "Volumetric" brand, which takes the concept of system building a step further than mere assembly on site

of factory-produced panels and components. The whole superstructure is manufactured, painted and fitted out with plumbing, central heating, electrical services, sanitary ware and kitchens.

The factory-built structure can then be transported in "slices"—perhaps the top and lower storeys in the form of pre-stressed shells. These can be lifted by crane on to prepared foundations ready for the services to be connected, the exterior brickwork to be laid and the roof tiled.

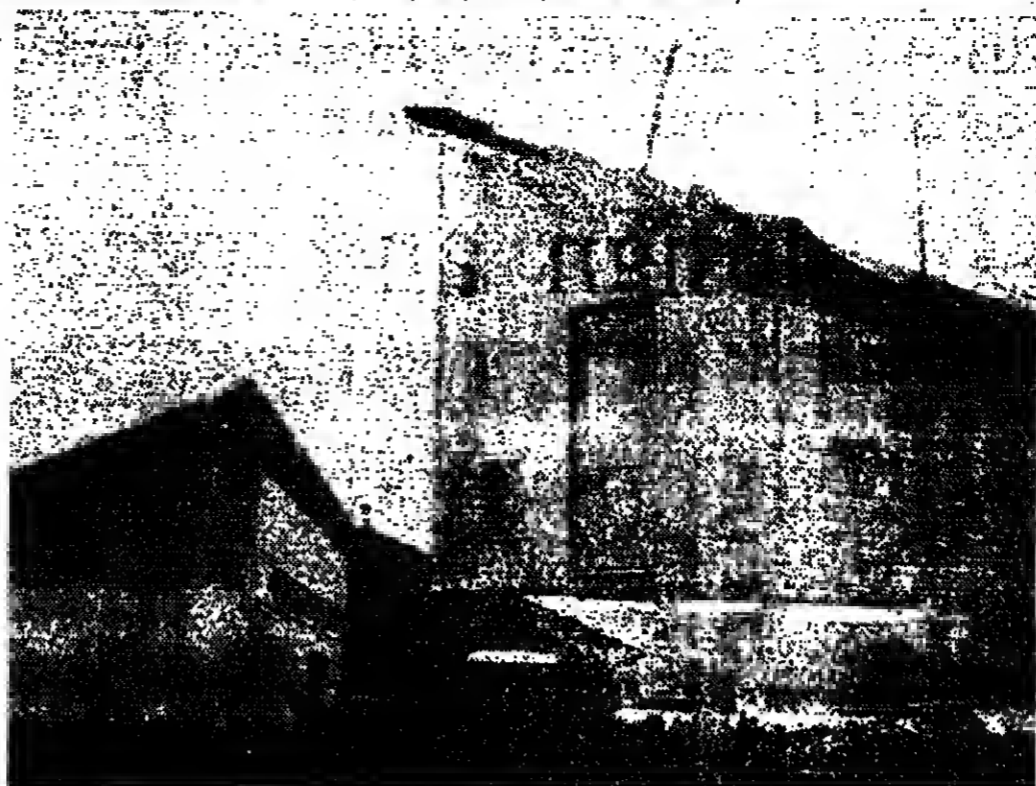
From transport on site to readiness for occupation may be a matter of only days—an important factor in winning local authority contracts. For the replacement of post-war prefabricated housing, Hallam has helped Nottingham City Council with its replacement programme by minimising disruption to occupiers, many of them not only elderly but anxious not to

lose contact with a familiar environment.

Tenants need to be provided with temporary accommodation for only a matter of weeks while their old pre-fabs are dismantled, foundations modified and new bungalows installed. Even damage to gardens is minimised. Special trolleys are used to transport bricks, roof tiles and other materials to negotiate existing paths without disturbing hedges.

For Hallam, which has extended its Volumetric system from local authority contracting to speculative private developments and sees potential in the concept for flats, factory-built housing has become increasingly important. In recent years the system has enabled the company to expand against the trend as other markets have slumped because of recession.

Founded more than 60 years ago by Vic Hallam, a Derbyshire coal miner, to produce



Transporting in slices: one of Hallam's contracts for Nottingham City Council

garden sheds and poultry houses, the group now has a turnover of around £10m a year in system buildings for industry, commerce and public bodies. Volumetric housing has expanded to account for around a quarter of turnover.

The move into housing was a natural for a company with experience in factory-controlled systems building. But Volumetric, launched in 1975, took time to get established. In the first six years less than 1,000 units ranging from starter homes to four-bedroom detached properties were sold.

With the recession and the decline in demand for industrial and commercial units, the housing side was given a boost by the advantages offered by timber-framed accommodation at a time of high energy and interest charges. The British Woodworking Federation maintains that the thermal insulation standards in timber-framed homes can save anything up to 35 per cent in fuel bills.

Mr Keith Etchells, marketing manager of Hallam, maintains the main competition comes not from other systems builders but from the traditional housing sector.

Under the timber-frame method the inner structure of brick or blockwork is replaced by structurally engineered wood frame components, covered and strengthened with other materials. That process alone eliminates the shrinking

and twisting which results from the evaporation of an average 1,500 gallons of water in a typical brick and block house.

The Volumetric factory-based system maximises the controls over operations which on site would be subject to the vagaries of weather and chance. The fairly constant output established at Langley Mill has led to a settled and skilled labour force—a key factor in controlling both quality and costs.

To transfer construction to the rigours of the assembly line brings obvious benefits in terms of a reduction in site overheads, vandalism and wastage linked with quicker turnover of materials, reduced work in progress and lower interest charges.

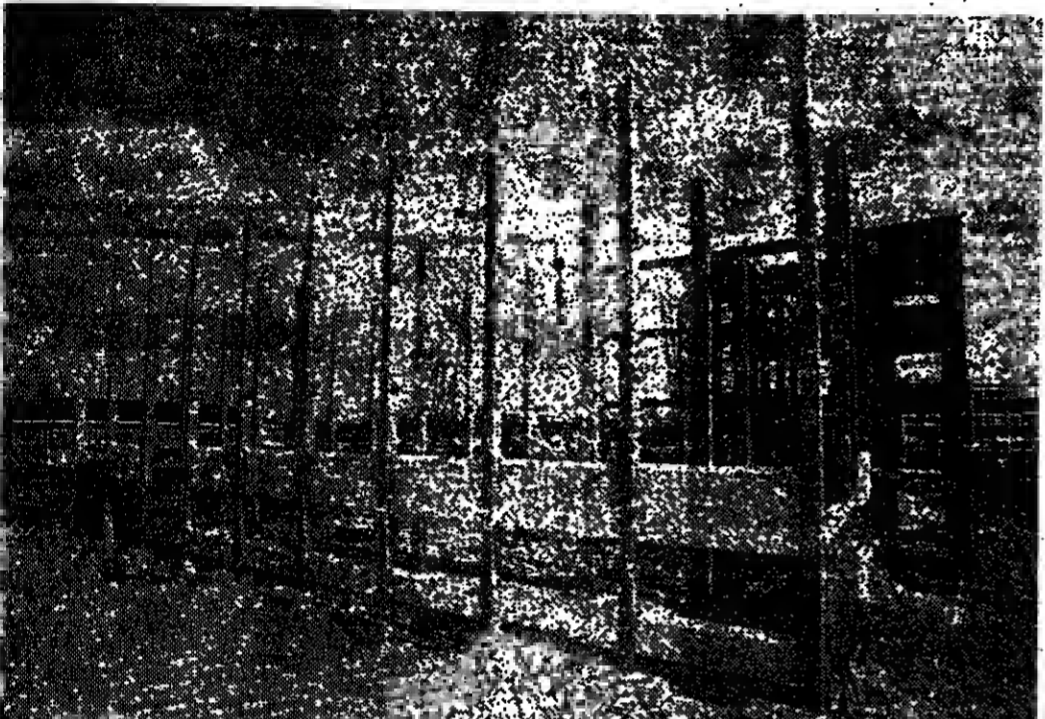
Any cost savings achieved can be reflected in the price offered to the customer. Hallam also claims better standards of finish, lower heating bills, reduced condensation, fewer plastic cracks and easier decorating and finishing.

Mr Etchells does not share the optimism of national forecasts for an upturn in either private or public housebuilding but nevertheless anticipates growth for Volumetric.

He points to a fourth contract from Nottingham City Council for pre-fab replacement and to the potential of the system for speculative housebuilding. In addition to contracts for private developers Hallam has recently built houses for sale on a speculative basis at Alfreton, Derbyshire, and Tonbridge, Kent.

Another potential growth area is seen in flats. The company is confident it can satisfy the stringent regulations covering sound insulation to make timber-frame flats viable.

Mr Etchells, insists the Volumetric system is developing continuously and becoming more flexible in use. He maintains that as Hallam is probably the best-known supplier of pre-assembled housing units it is well-placed for expansion should the market take off.



A Trent T6 pre-cast concrete frame being erected

Alan Cane examines the steel-framed building system

## Constructors increase versatility

STEEL FRAMED building system manufacturers and constructors are showing considerable ingenuity in getting round what everybody recognises as the drastic fall in the demand for structural steelwork in the past two or three years.

While several firms have gone bust, others have turned their hand to the kind of work they would never consider in more buoyant times.

One company, deep in the heart of the country, has developed a new expertise in building jetties. The framework after all is not that different from that of a multi-storey office block.

A spokesman from Constrado,

part of the British Steel group concerned with structural steel said: "The industry is far from desperation. We have an increased market share of what is admittedly a much smaller market. But constructors have been showing considerable versatility. They may say that all their work is tied to column and beam but they are building pressure vessels, bits of ships and so on. If there is an upturn, the industry should be well poised to take advantage of it."

Both the steel frame and the precast concrete building markets have been hard hit by the recession and by government policies going back to

1973.

According to the British Pre Cast Concrete Federation, the industry is simply ticking over. The federations does not believe pre-cast concrete has been hit harder than any other section, although they admit it has taken a significant knock with the growth of timber-framing in the housing market. It is possible that most firms are down to only 60 per cent of total capacity, they think.

But if the industry has taken a beating, especially on the heavy end where virtually all building is government funded, there is plenty of evidence that it is working hard to cut its construction costs and improve delivery times through the use of new technology.

An example is the Atlas portal frame, developed by Ward Brothers of Sherbourne in conjunction with Sir Frederick Snow and Partners and Imperial College, London.

Progress

As well as illustrating the kind of continuous progress which distinguishes the structural side of the building industry, the "Atlas" development is a good example of collaboration between an academic institution and industry.

The Atlas concept created considerable interest when it was released at the end of last year. It also created considerable congestion in Imperial College's civil engineering shop where full scale span were erected to test the concept.

The basis of the idea is automatic welding. Conventionally, the design of portal frames to the UK is based on plastic theory applied to bolted universal beam sections, with the provision of a haunch. Ward Brothers believed, on the basis of considerable research, that the use of tapered portal frames gave a scope for economy not possible using universal beams.

According to G. K. Raven, of Ward, and Derek Beckett, of Snow, stresses are close to the permitted maximum values at any section—an optimised elastic solution.

"Fabrication costs can be minimised by fully automated welding. The total economic envelope includes simplified stock control, optimisation of the bracing system, transport erection and foundation costs," they say.

Reinforced and precast concrete construction has had a poor press of late. For precast structures the height of notoriety was probably the Roan Point incident when a gas explosion in the upper

floors of a high rise block caused the collapse of virtually an entire corner of the building.

The experts are quick to point out that it was chiefly design faults which caused the disaster: there was a lack of continuity between the basic units of which the structure was built. Derek Beckett, of Snow, says: "We have learned a lot since then about the stability of these structures."

"If the design and detailed construction work is adequate, then there is no problem and there can be good advantages in terms of speed of construction."

But Mr Beckett, who is much concerned with the ways in which reinforced concrete fails, believes that precast structures can never have the natural continuity of material cast on site.

The chief problem is the entry of water in to the concrete to the point where it attacks the steel reinforcements leaving the overall structure seriously weakened.

But this problem is now well recognised and the industry is fighting back. Mr M. J. Downing, sales manager of Trent Concrete Structures of Nottingham, notes: "The recent publicity given to a particular form of precast concrete construction has tended to bring into disrepute the soundness of all precast concrete elements. This is quite unjustified."

Trent's special contribution to the pre-cast business is the T6 connector. Based on steel structure technology, the connector can be positioned at any point along a column.

So according to Trent there is no modular limitation on floor height, nor on the physical configuration of floor or edge beams.

It claims construction speeds three times faster than conventional concrete structures... and that is critical to the success of these new building technologies.

All these development areas concerned with speed of erection and cost containment which is seemingly an intractable problem in the UK. Comparisons drawn with, for example, the U.S. on comparable structures are frequently unfavourable.

There has been a decline in the use of precast components but that is probably as much due to the recession as anything else.

Better procedures are however giving thrust to the view that concrete structures can be built in situ very rapidly these days. And that is the aim. As one expert said: "We do not seem to be able to put the right commercial weighting on speed of construction."

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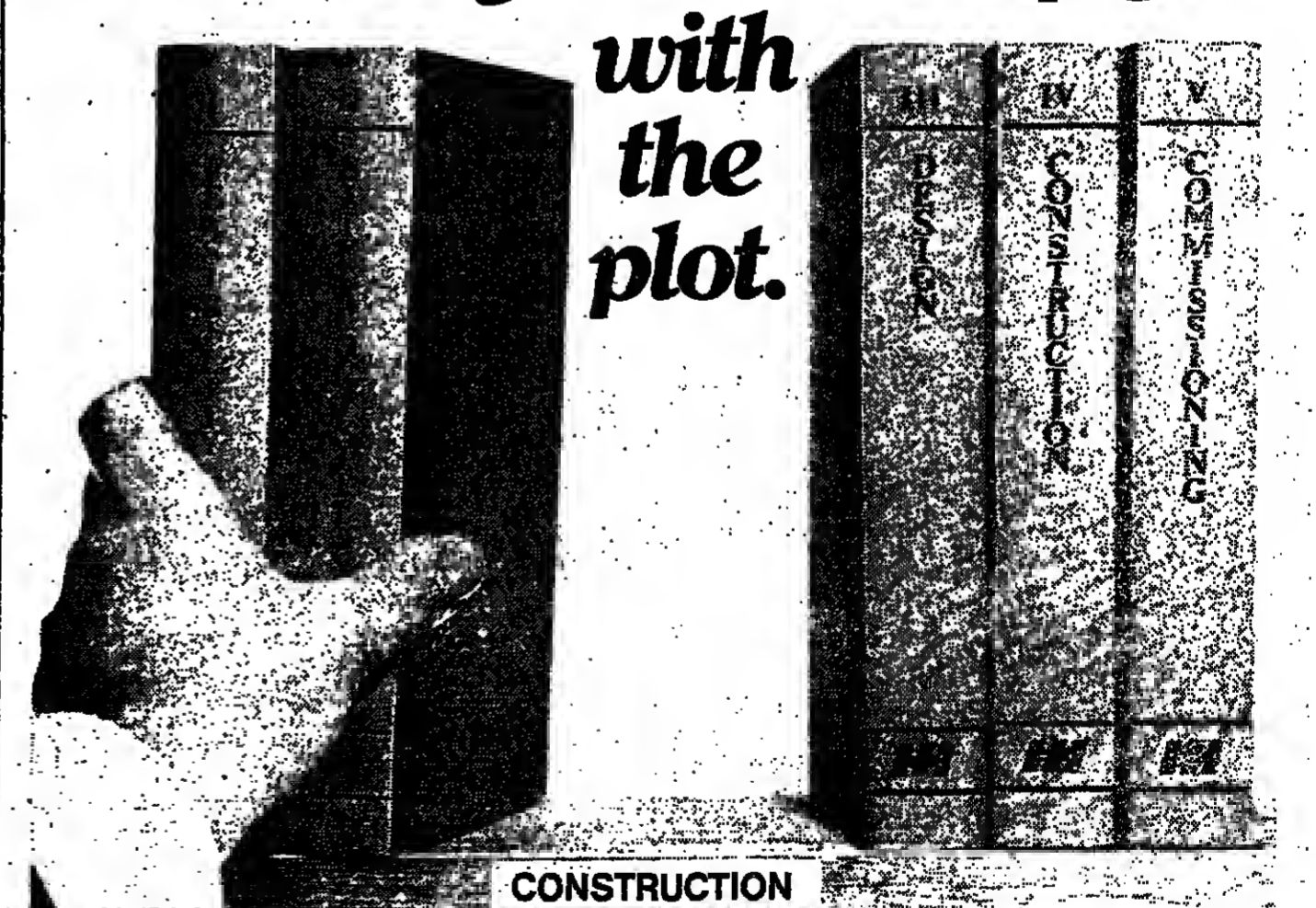
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# BUILDING METHODS AND MANAGEMENT VIII

When building its £11m Newcastle plant Findus plumped for an unusual but sophisticated construction technique

## The marriage of design and production

With £30m to spend on creating what was intended to be one of the most advanced food manufacturing plants in the world, frozen food giant Findus went to a great deal of trouble to make sure that it chose the most efficient means of translating concept into reality on its greenfield site at Longbenton, on the outskirts of Newcastle upon Tyne.

Over the years the company had been involved in a number of building projects, using traditional methods—sometimes with success, sometimes not. In opting for a design and build package for its Longbenton project it was influenced by a number of factors.

Not the least important of these was speed of completion. As Norman Riggall, Findus' project manager from the beginning, explains, once com-

mitted to spending that sort of money on such a concept it was essential to implement it as quickly as possible, to get production on stream and an early return on the investment. Timing, therefore, indicated a design and build package as being the most suitable.

Although there were other considerations apart from the time factor, on that issue alone the choice of the package proved to be extremely propitious. Findus is getting its new factory several months ahead of the contract date.

### Track record

The decision to set up a plant of such size and complexity represented the biggest single step taken by the company for many years and from the start there was every intention that

whatever was done would be as right as it was possible to make it.

With its years of experience in the frozen food industry Findus obviously had a good idea of what it wanted as far as the design concept was concerned. It was, therefore, looking for a contractor with a good track record in design and build and, most important, someone with whom a high degree of rapport was likely to be possible.

The relationship between the client and contractor is a crucial matter, says Riggall. From day one the client is talking to all the disciplines concerned in designing and erecting a highly complex building and not having to embark upon a variety of negotiations with different professionals.

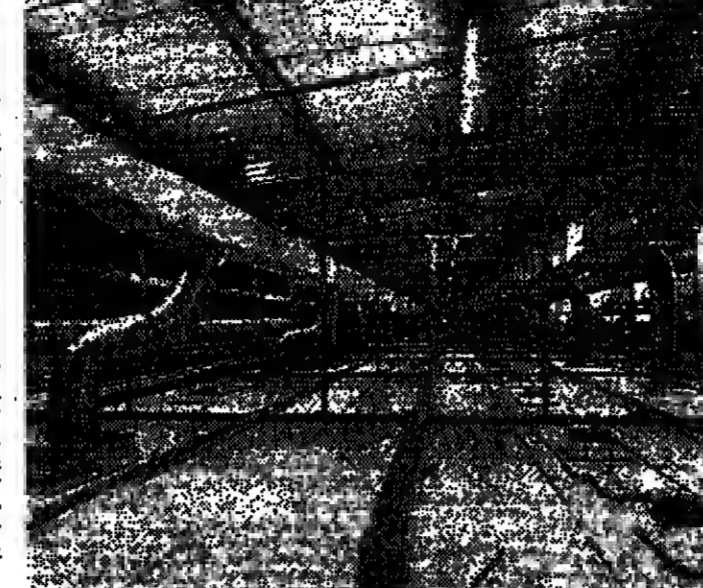
Because it knew its business pretty well, Findus felt that it would have a considerable input to make in the development of project. Under Riggall it had a full-time team varying from six to a dozen people continuously involved.

The company obviously made detailed inquiries about the design and build scene and soon acquired some idea of which firms were worth talking to. Initially, six companies were in the hunt, subsequently reduced to three. At this stage each company was presented with an impressive 200-page design brief upon which to base its submission and tender.

Although obviously looking for value for money there was no question of choosing the lowest price purely for that reason. In fact, York-based Shepherd, the successful contender, was not the lowest tender. Factors like completion record and design team quality tipped the balance in its favour. It is argued that with construction contract worth £11m, a saving of a few thousands is of less consequence than a proven record.

Not least of all Findus was impressed by the fact that during the negotiation stage Shepherd just about turned the food company's original design concept on its head as far as site layout was concerned and came up with something more efficient and, arguably, more economic.

Albert Murrutt, general manager of Shepherd Building Service—the design and build



Services, including compressed air, steam, heating, lighting and ventilation, are separated from the production area on the grounds of hygiene and are contained above a metal load-bearing ceiling

end of the Shepherd Group—reckons no two design and build jobs are ever alike and the Findus project is less alike than most.

Built to the most rigorous standards for a food preparation plant, complying with, and in some cases exceeding, EEC requirements, standards of construction also had to be high, incorporating many design features and building techniques that are unique.

Some of these are visually obvious, like the external load-bearing columns and struts, moved outside the main fabric of the building to allow smooth, flush, hygienic internal walls for easy cleaning. In the production areas these walls are finished in epoxy resin to withstand chipping and accept high pressure cleaning.

### Information

Also in the production areas the complete absence of timber is noticeable. Such bacteria logically incompatible with the desired standards of hygiene. Normal spaces usually found behind panelling are also unacceptable.

Such unusual features, it was felt, could best be achieved with the client and contractor in something almost approach-

ing permanent session around the table—hopefully on first name terms. It might be about building a factory but it was also about people as well, it was argued.

From the start Findus undertook that if Shepherd had a question to which an answer was required—and they were longer than they were produced within seven days. Likewise, if Findus required information it was forthcoming within the same time scale. Both sides found that this concentrated the mind wonderfully and did much to keep the contract ahead of time.

Design and build, as a construction technique, has, in fact, been around for much longer than many people think. Shepherd carried out its first such package more than 20 years ago.

The largest privately-owned building group in the country, Shepherd was founded as a family concern in 1890 and until the late 1950s was involved in purely traditional methods. In 1959, as the result of a request from a client—in this case British Oil and Cake Mills—for a comprehensive package, the company launched its first design and build operation.

With architect Murrutt in charge, a multi-disciplinary

group was set up within the company, consisting of architects, quantity surveyors, structural, mechanical and electrical engineers, together with project controllers.

What would be the separate fees charged by the various professions involved in the in-house design team are all incorporated in the final tender price, by which the firm stands. The design group, therefore, is under some pressure to anticipate time-consuming problems and iron them out in advance. Traditionally, such cost inducing delays would normally be added to the client's final bill.

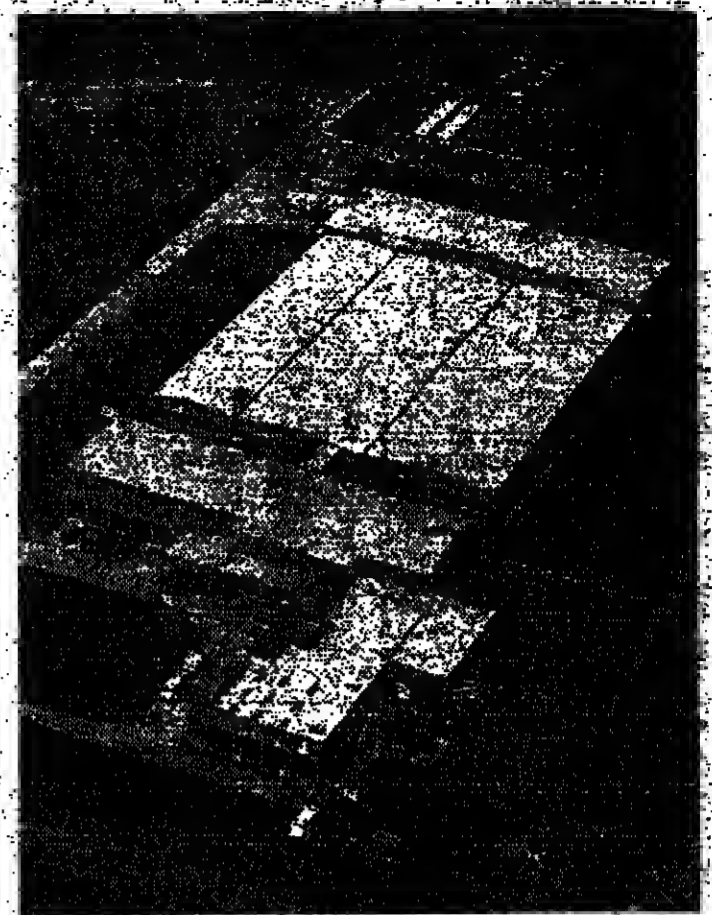
By the time the Findus project came along Shepherd clearly had considerable experience of design and build, ranging from electronic factories to hotels and a prison. In these circumstances it would have expected to be invited to make a presentation for such a major contract. Just to make sure, however, Murrutt fired off a letter explaining exactly why Findus should be talking to his company.

Six weeks after being first presented with its brief, Shepherd handed over its first tender document. Murrutt defies anyone building traditionally to match the time scale. With the involvement of the various disciplines and a multitude of sub-contractors there is no way it could have been done, he claims.

Along with the tender went someone from Shepherds to sit down with the client's staff and spend three days going through the documents to ensure that everyone knew what they were about. The exercise was aimed at saving time later.

The initial tender was submitted in competition with two other design and build companies. Amendments to the original concept led to a second tender being produced, this time by negotiation—and again in record time.

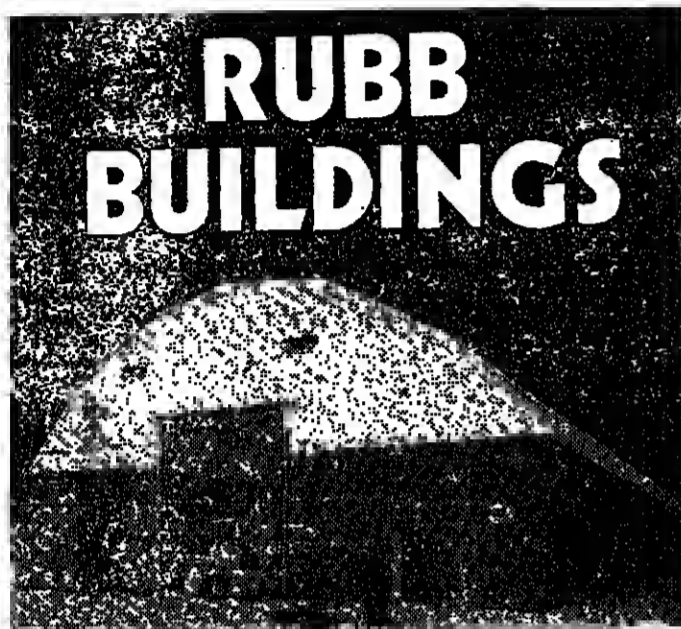
The detailed work undertaken by the in-house team at the tender stage is cited as a major factor in enabling piling rigs to be working on the site within two or three days of signing the contract. Since then all stages of the contract have been on time, or ahead of it, with the phased completion within a 28-month schedule being accomplished three months early.



An aerial view of the Findus factory with its 23,400 sq m floor area

The building industry is the sophistication going into the only one where design is divorced from production, says Murrutt. Design and build makes sense as the logical approach of the builder. As far as the Longbenton project is concerned, the design and build package appears to be an integral part of the manufacturing process, especially in electronics and food manufacture, with contractors no longer merely erecting shells. Murrutt sees Findus as a prime example of the increasing

Ewart Mann



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Lorne Barling looks at the work of the Building Research Establishment

## Improving conservation a key role

THE Building Research Establishment, a Government financed organisation under the Department of the Environment, plays a major role in carrying out research and development for the UK building industry, although its work is primarily for the Government.

BRE employs about 850 people at four centres: the Building Research Station and the Fire Research Station, in Herts; the Princes Risborough Laboratory and the smaller Scottish Laboratory, which deals mainly with work related to differing requirements in Scotland. The number employed has fallen recently from nearly 1,200 as a result of Government spending cuts.

Since the early 1970s, when rising oil prices changed the world energy picture, much of BRE's work has been related to building methods aimed at improving conservation. But it is still heavily involved in more general research aimed at providing the Government with a means of predicting future domestic energy requirements.

Research work accounts for around 75 per cent of the establishment's total expenditure of around £15m a year. The remaining 25 per cent goes on the important information and advisory services concerned with getting research results applied in practice.

According to Mr Ian Freeman, head of BRE's building process division, there is a world of difference between successfully using a new building process or material in laboratory conditions and its successful application on a building site.

He gives the example of the use of insulating batts, usually expanded polystyrene boards, increasingly used to set up bar-

riers between cavity walls of houses during construction. While their installation may be easy in theory, he points out, variations in cavity widths and other on-site problems inevitably arise.

As a result, the batts become dislodged and lean against the outer wall, they can create damp and costly remedial work becomes necessary. The method of fixing the batts is therefore important and BRE has been working on this.

Overall, it is often BRE's role to examine the broad implications of a change in UK building regulations, such as the recent introduction of a higher wall insulating standard, which has led to the use of insulating batts and other devices to reduce heat loss.

### Condensation

Another problem being examined is the effect of inter-space condensation in timber-frame houses, now increasing in popularity, which may arise from the increase in thermal insulation. While this may not be evident as an immediate problem, BRE regards it as necessary to examine the long-term implications.

"We have to ensure that any recommendation made to the building industry is not incompatible with the long-term viability of houses," Mr Freeman says.

Although BRE has no powers to impose standards on the building industry, it seeks to exert influence through its publications such as its series of BRE digests, aimed largely at designers and local authorities.

It also offers an advisory service to supplement the answers to standard questions given to the digests. For this a charge is

made to supplement its Government income. However, little research work is carried out for private concerns.

Mr Freeman points out that the average new house in Britain may look very similar to one built 10 years ago, but is in fact very different, due to important changes which have taken place in building methods.

"The house of today is a highly rationalised product, in which many of the component parts have been de-skilled. For instance, plastic plumbing has diminished the role of the plumber and plastic guttering has saved labour."

He points out that there has been a 4 per cent per annum fall in real labour costs on an average house in recent years, and quality has generally improved as a result of big companies capturing large market shares with good products, such as roofing tiles or plastic guttering. In addition, there is less scope for "corner-cutting."

Another important role for BRE is in relation to the framing of building product standards by the British Standards Institution, with which it works closely. Mr Freeman sees BRE's role here as one in which the end user's interests must be represented against those of the industry concerned, since manufacturers usually lobby for a standard which they can meet rather than one which ensures product satisfaction.

### Regulations

At present, BRE is involved in a major study of housing defects arising from problems on site, the results of which will be made available to private and public sector designers. It will attempt to determine the extent

to which building regulations are being met and point to potential areas of default during construction.

The broader research work, relating to national energy consumption, is carried out by BRE's building services and energy division, which is headed by Mr Neil Milbank. He is also responsible for the Scottish Laboratory.

Mr Milbank points out that around a third of the country's energy consumption is in private dwellings, but until recently there has been little research on average internal temperatures of private houses and levels of heat loss.

For that reason, changing regulations relating to the thermal efficiency of walls does not make it immediately obvious what the long-term implications are for the UK power generation industry. The Government is hoping that BRE research will provide a means of better forecasting.

"For example, it will help the Government to decide whether to raise the grants on home insulation or to go for an increase in the standard of building," Mr Milbank says.

An important part of this research relates to the behaviour of home occupants, since the range of energy consumption in similar dwellings is very wide. Incidental gains such as from cooking, lighting, hot water systems and electrical appliances are also being studied.

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BODY SCANNERS

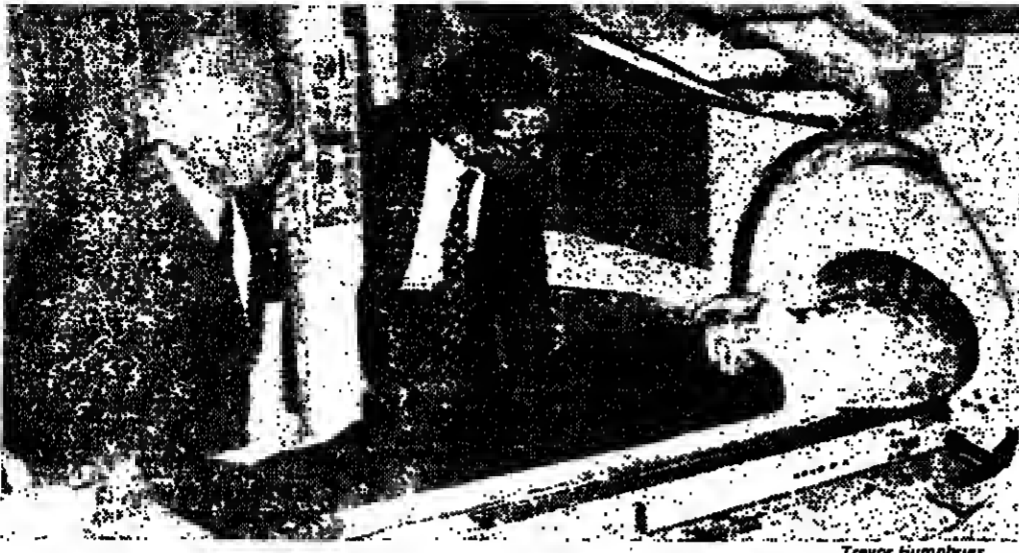
Nuclear images in the clinic

By David Fishlock, Science Editor

NEPTUNE IS an inspired choice of name for an instrument that can peer into the brain depths of our brains and bodies and produce vivid images of its tissues and how they are behaving. It is the name of the prototype of a powerful new family of instruments for diagnosing disease, costing up to £850,000, put into production by GEC at Wembley.

Behind Neptune's development in Britain lies an investment of about £5m in research and development over the past six years. Half of it has been put in by the Department of Health, whose senior scientists make no attempt to disguise their delight with the outcome. The balance has come from the companies involved: first EMI, then—after its takeover by Thorn—EMI's interest in the new instrument.

Diagnostic radiology is one of the fastest-growing specialties in medicine, says Professor Robert Steiner, director of the department of diagnostic radiology at the Royal Postgraduate Medical School, London. Prof Steiner has played a key role in expanding the radiologist's armoury with Neptune.



Professor Steiner (left) shows Neptune to Norman Fowler, Health Secretary

assaying complex molecules. Each atom, when wrapped in a powerful magnetic field and excited by radio-waves, gives off a characteristic signal, as distinctive as the note of a bell.

Initially, there was great scepticism in medical circles, Prof Steiner admits. Compared with the dramatic revelations of the CT scanners using X-rays—the EMI-Scanner is one example—the first NMR pictures of living tissues were fuzzy and unexciting. But by 1976 EMI itself was taking the challenge of NMR seriously by mounting a project at its central research laboratories where the EMI-Scanner had been invented.

In 1978, EMI put a proposal to the Department of Health for development funds for a prototype NMR scanner to go into a British hospital, as had been done in the late-1960s with the EMI-Scanner.

But the financial troubles which then befell EMI, partly due to the collapse of its US market for EMI-Scanners, seriously delayed development and almost cost Britain the Neptune. Thorn-EMI was eager to sell off the venture. Foreign general groups—notably US General Electric—were keen to acquire it. Much to the relief of the Department of Health, it was saved for the UK by GEC's acquisition of Picker, a major U.S. manufacturer of medical equipment based in Cleveland, Ohio, in 1981.

The takeover produced Picker International, owned 80 per cent by GEC and 20 per cent by Cambridge Instruments. The group, with 7,000 employees and sales this year of about \$700m, is ten times as big as the former GEC Medical subsidiary. GEC hacked it with a new research laboratory at Wembley headed by Dr Ian Young from EMI devoted to the NMR scanner.

The clinical case for pursuing the NMR scanner as a commercial venture, notwithstanding the experiences of EMI, has been assembled by Dr Young and Prof Steiner. The technique looks particularly promising for pinpointing problems of the central nervous system, particularly those which start in the brain, including multiple sclerosis. The lesions of this disease show up clearly as "black holes" in the brain; and for every lesion revealed by the CT-scanner, NMR is revealing three or four. But the other side of the picture, Dr Young says, is that they have been able to reassure some patients that their disease is less serious than other methods of diagnosis have suggested.

Prof Steiner is confident that "within a year or so" NMR could replace CT-scanning for certain problems. In diagnosing hydrocephalus in the newborn baby, CT-scanning is "not much help," whereas the enlarged brain, swollen "with fluid,

"really hits the eye," with NMR. But he stresses that he sees the two methods of diagnosis as complementary rather than competitive.

NMR-scanning looks at the distribution of hydrogen atoms, scattered throughout all living tissues, particularly water and fatty compounds. In fact, Neptune looks at no fewer than three different characteristics of the radio-excited atoms of hydrogen, in three different planes, before the computer constructs its image.

Safety is an important reason for commercial confidence in NMR-scanning. "So far as we know, nuclear magnetic studies are harmless, non-invasive, and well-tolerated by patients," Prof Steiner says.

The commercial case for NMR scanning has been assembled by Picker International, Mr Sidney Carne, UK director of operations, is forecasting a market for 150-200 NMR-scanners a year by 1984, 60 per cent of which will be in the U.S. As with CT-scanning, "the battles that have to be fought out will be fought out in the U.S.," Mr Carne says.

His confidence that Picker can succeed in the all-important U.S. medical market, where EMI failed, rests on the fact that it is a substantial and established U.S. company, well-respected as a market leader in diagnostic radiology. The

latest moves make it the world's fourth highest medical technology company.

However, of the £5m investment—including £3m for engineering and R and D—it is making in NMR-scanning, nearly 70 per cent is being spent in the UK. The first from the new assembly line at Wembley is scheduled for delivery to the Mayo Clinic in the U.S. in October, after which the initial programme of 12 will be completed at one a month. Britain's first two production models will go to the department of radiography at Manchester University and the National Hospital for Nervous Diseases in London, early next year.

But Mr Carne is well aware that, despite Britain's lead for the moment in clinical results from NMR-scanning, she has formidable competitors as hard on his heels. Closest to launch a production model is thought to be the Technicare Corporation, of Solon, Ohio, part of the Johnson and Johnson group, which made its name with CT-scanning. Technicare has built two NMR-scanners as research tools for the NMR laboratory at Massachusetts General Hospital in Boston.

According to Mr Carne, Technicare—"the real competition"—is racing neck-and-neck with Picker to be the first to finish a production-line model later this year. Like Picker, Technicare is taking orders.

But he is also seeing warily two smaller U.S. companies, Diasonics and Fonar, and two big European groups, Siemens and Philips. All have claimed to have demonstrated NMR-scanners.

Britain itself affords more competition. Earlier this year the Prudential announced that it was backing a new venture called M and D Technology in Aberdeen, which aimed to produce its first NMR-scanner in 1983. This instrument is based on developments pioneered by Prof. John Mallard at Aberdeen University. Working closely with Aberdeen Royal Infirmary, Prof. Mallard has examined large numbers of patients and produced coloured images vividly distinguishing diseased from healthy tissue.

ONCE A year, the social cameras at the Henley Centre for Forecasting attempt the impossible to produce a snapshot of the underlying social attitudes of British people.

It is an exercise designed to make money, by feeding businessmen and administrators with a survey of opinion around which to hang their future hunches, and to some extent to allow the Henley people to develop their own hunch, which is that Britain is stepping briskly towards a "post-industrial society" when the home/work/leisure distinctions of our present economic system will break down.

But the raw data from the survey, conducted in March, also offers the opportunity for a do-it-yourself test of your own pet perceptions about the state of Britain. Is it becoming more health-conscious? Is it angry about unemployment? Is it racist? Is it afraid of crime? And so ad sociological infinitum.

In searching for patterns through these numbers, one fact becomes strikingly and a little surprisingly evident: the fact that the concept of the equality of women has gained overwhelming acceptance, whatever the difficulties in practice women still face.

For example, 83 per cent of respondents, evenly spread across social groups, agreed that a woman "can do as well as a man" in business and 71 per cent saw no objection to men staying at home to look after children with the wife as breadwinner, although support for this concept is heavier at the AB end of the social scale. Nor, in another part of the survey, was there significant support for the idea that married women should not seek work at a time of high unemployment.

The responses about the position of women are, quite clearly, the voice of experience; women have demanded a social change, economic circumstances have permitted it and nobody is seriously suggesting that a change can or should be reversed to deal with a problem like over-supply of labour. Moreover, this holds true in spite of the fact that there is still a widespread feeling that certain

Social Affairs

Women and immigrants—a blurred picture

By Ian Hargreaves

ASPECTS of female emancipation, such as the divorce rate, are very worrying. Sixty-two per cent of people think that the children of divorced parents have more problems than other children.

All this seems to me a highly rational and balanced response; to accept what is reasonable and just on broad grounds and to worry about consequences at the margin.

The point becomes clearer when you look at the survey's results on a few issues where the respondent's direct experience is likely to be much less pronounced than indirect experience, much of it gained through the media.

Forty-four per cent of those questioned, for example, are "afraid to open their door to

and media debate, and the responses of a different type which emerge when questions are stripped of that context.

It will probably come as no surprise to the men in Great Russell Street, but the TUC was placed behind the church, the Queen, the CBI, the National Consumer Council and the House of Lords, in a list of organisations people would like to see more involved in national affairs. Trade union leaders of whom the TUC is corporate symbol, were deemed out of touch with their members' views by 67 per cent.

This contrasts somewhat with the fact that only 27 per cent felt we would be better off without unions and sits very oddly indeed alongside the 63 per cent support for the notion that employers "should have more legal obligations to their workers."

In other words, people don't like the trade unions they have got, but don't want to be without some kind of intermediary organisation in their relationship with their employers. A pretty compelling case for internal reform in Great Russell Street, one would have thought, and perhaps a note of caution to Mrs Thatcher when she starts thinking about her strategy for a second term.

On more immediate political issues, only one third think it more important to attack inflation than to attack unemployment and only 10 per cent support cuts in social services and education. Half the sample thought more of the economy should be in the private sector.

There is gloom, however, about the big social issues. Three-quarters felt civil unrest and riots would get worse and the pessimists were in a minority on wars, race relations and the "general level of morale," whatever that means. Whether Henley man is free and happy is a question not specifically canvassed. But one cannot help thinking, as W. H. Auden once mused in a different context, that "the question is absurd. Had anything been wrong, we should certainly have heard."

Planning for Social Change 1982, Henley Centre, 2 Tudor Street, London EC4A.

Trade union leaders were deemed out of touch, but we would be better off without unions' was rejected

strangers at night" and 38 per cent said their way of life had been "significantly affected" by the problems of violence in society. For this category of all-fibrebeds rise in violence, unemployment is blamed by 72 per cent, the fragmentation of the family by 48 per cent, the media by 44 per cent and immigrants by 32 per cent.

Other attitudes to immigrants, presumably also a matter of indirect experience to most people in the survey, are also quite highly charged. Forty-five per cent thought immigrants were in some way to blame for unemployment and when asked an admittedly rather loaded question, whether "this country could gain a lot from immigrants," 60 per cent felt it definitely could not. The thought process behind this response is the reverse of that applied to women.

In the area of attitudes to organised labour, we get an intriguing blend of responses—formed around issues identifiable part of the political and media debate, and the responses formed around issues identifiable part of the political

Letters to the Editor

The root of the problem is inflation

From the Deputy Group Managing Director, The BOC Group. Sir—A distinct air of unreality has entered the present argument about current cost accounting, and it may be helpful to restate the issues that really matter. The central problem is not that of inflation accounting, but of inflation itself and the problems that it poses for those running the nation's businesses. We have suffered from double-figure inflation since the early 1970s, and only recently have we seen signs of improvement. While we hope that the improvement will continue, the memory of the very difficult period in 1973, when inflation seemed well on the way to 30 per cent, is still much in mind. Managers have had to adapt to this environment by learning to think in terms of real costs and values as a basis for decision-making. No one will pretend that an accounting convention is other than just one of the many elements in this process, or deny

that many successful managers have coped quite adequately using traditional accounting methods—provided these are backed up by a tight system of cash control. But our own experience in BOC is that we found the historical cost approach increasingly less useful during the 1970s. Therefore we developed during those years a technique of continuously re-assessing the replacement cost of our asset base and of setting depreciation charges accordingly. While this was by no means a complete answer, it provided a good measure of practical help in establishing a better judgement of the financial performance of our predominantly capital intensive business. We believe that our shareholders would wish to judge our performance in the same terms as those used by the management—hence our use of the so-called "modified historical cost" basis in our reports and accounts. The accounting profession has

likewise been attempting to adapt to the changes in business environment. While there have been, not surprisingly, some false starts, we feel that SSAP 18 represents much the most promising approach we have seen so far. There are of course a number of open issues which will only be resolved with the benefit of growing experience in practical use. A three-year period of experimentation is therefore entirely sensible. Against this background the present argument seems inappropriately timed. I suggest that we should at least complete the period of experimentation; then by all means let there be sensible and, let us hope, informed debate on the issues arising. To call for the "immediate withdrawal" of SSAP 18 at this juncture would, I am sure, occasion immense harm to the standing and credibility of the accounting profession. P. G. Bosonnet, BOC Group, Hammersmith House, W6.

direct benefits to Britain from these continuing contacts with overseas students.

Overseas students undoubtedly enrich our student body and bring many other benefits to the Polytechnic but the main point I would like to add to this debate is a moral one: The increase in overseas fees has meant that it is the poorer students, particularly from "third world" commonwealth countries, who have been forced to go elsewhere while it is the sons and daughters of rich parents and those from richer countries who can continue to come. Any move to aid poorer students from the third world and overseas students in general will be very much welcomed here and I hope the small resources necessary to implement the overseas student trust's proposals will be forthcoming. John Belsham, 163, Borough Road, SE1

Back to the Gold Standard

From Mr J. C. D. Mackay. Sir—Page 25 of today's (June 24) issue of your esteemed and enlightening journal provides a clear question and suggests a possible answer to the main if not the only real problem in the financial world today. Anthony Harris states that in relation to "the present crisis of rising U.S. interest rates and a runaway dollar" (I deem this the problem) "the one thing clear is that the present rules don't work."

Michael Dixon in the neighbouring columns distinguishes between the intellectual academic approach of "knowing what" (does Anthony Harris's essay fit this description?), and the intelligent skill of "knowing how" which is so required by but inadequately trained for in our society.

Seriously, since the Western World came off the gold standard, clever people the world over have so manipulated money that the West is condemned forever to inflation; the rate is variable, but the reality is permanent—and interest rates that will always have been higher than necessary because of inflation.

May I respectfully suggest therefore, that your own highly influential newspaper mount a campaign of leadership and persistence to return the West to the gold standard, by say, January 1983—the start of the second half of this decade. J. C. D. Mackay, 81 Baynam Road, Servcoaks, Kent.

The Falklands victory

From Mr J. Tunncliffe. Sir—To answer Dr Rogers (June 23) the brilliance of the Falklands victory consisted in overcoming the Argentine air superiority, seizing and holding the initiative on land and destroying the Argentine will to resist by a phenomenal tactical use of infantry on difficult terrain and in atrocious weather—all within the space of a few weeks.

The loss of lives was grievous, but it cannot be compared with Suez, where a limited action took place against unprepared and feeble opposition. The loss could, however, fairly be compared with the tenfold greater death toll in Northern Ireland after 14 years of failure to mount a proper war against a self-styled army.

Argentina has steadfastly refused to take its case to the International Court. It has shown no sign of willingness to allow the inhabitants of the Falkland Islands to decide their own future. In their brief occupation of the Islands the Argentines sought to impose every petty measure of alien and undemocratic rule on the islanders. Towards the end the occupying troops behaved abominably. Negotiations have failed in spite of great endeavour by both Britain and the U.S.A. It has become apparent that there

is no machinery for diplomatic decision-making in Argentina. Dr Rogers urges Britain "to take the steps necessary to negotiate a lasting peace." What steps are there in these circumstances?

Does Dr Rogers seriously believe the Argentines would ever have left the islands voluntarily? Does he think that peace under alien rule is preferable to war fought to preserve one's own political institutions? The best hope of a just peace, as opposed to any peace, is to persuade Argentines that the cost to it of fighting for the islands in the foreseeable future will be unacceptably high. This would be the true benefit of the campaign that has just ended.

J. D. Tunncliffe, 100 High Street, Great Abington, Cambridge.

Greencoat's position

From the Chairman, Greencoat Properties. Sir—I am writing as chairman of Greencoat Properties in connection with the article about Greencoat which appeared on June 18. I should be grateful if you could give me space to correct one impression which an uninformed reader might have drawn from the article. Your correspondent attributed Greencoat's problems in Paris to the mistakes of some of the past management. I

would like to correct any implication that Mr David Houghton's immediate predecessor as managing director of Greencoat, Mr Tony Kelley, had any responsibility for Greencoat's losses in France. Indeed, the truth is that without Tony Kelley's substantial contribution in recent years Greencoat would not be in the stronger position it is today. E. T. Razzall, Greencoat Properties, 7 Wolsey Road, East Molesey, Surrey.

Students from overseas

From the Director, Polytechnic of the South Bank. Sir—Malcolm Rutherford, in assessing the cost and benefits of overseas students (June 21) states that the "street mill theory" (that overseas students return home and eventually order British steel mills) is not proven. I cannot help him with steel mills but I can provide support for the "bakang oven theory." South Bank Polytechnic houses the National Bakery School and a major British oven manufacturer has sold more than one large scale baking oven in Nigeria as a direct result of one of our Nigerian students returning home and using the experience and contacts he formed here. We have also had a Nigerian student whose father and grandfather trained in baking at South Bank; we can give many examples of both direct and in-

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You can ascertain the true cost of fuel for business use because the fortnightly statements are itemised as follows: Date of Purchase, Card Number, Forecourt Location, Quantity of Petrol/Derv, Cost and the Registration Number of the car being filled. The savings in administration costs to your company are tremendous.

CAR RENTAL SAVINGS AS WELL

Every company needs car rental. Swan National has the finest service in the industry, tailored to the demands of the business user. Your expenditure on car rental with Swan National, over one year, will have a direct effect on your fuel bill.

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Companies and Markets UK COMPANY NEWS

MINING NEWS

Solid second half at Arthur Holden

SECOND-HALF pre-tax profits at Arthur Holden and Sons improved from £342,000 to £519,000 and this resulted in higher profits of £1.7m against £1.4m for the full year to March 31 1982.

Mr Sturge reaffirms that the ICI proposal is in the best interests of Holden's shareholders, its employees and customers.

Tax for the year was up from £524,000 to £778,000, and after minorities of £75,000 (£8,000), attributable profits emerged at £1,022 (£910,000). Dividends amounting to £250,000 (£250,000) were retained, leaving £770,000 (£565,000). Stated earnings per 25p share rose from 12.56p to 14.28p.

comment

Arthur Holden's attainment of slightly better figures than those forecast at the time of the ICI bid, was due simply to a very good March. The recent bid was a picture for the company's directors, and the onset of cyclical recovery is not yet apparent with the order book still something of a hand to

mouth affair. In the wake of 1980/81's acquisitions, France is now the base for about 50 per cent of Holden's turnover.

Although Mitterrand-style reflation was a bonus, the price freeze, and now devaluation, most certainly are not. While Metal Box and International Paints hold over 21 per cent of the equity between them, the significant stake is the 14.9 per cent held by ICI. The Mopolities and Mergers Commission is due to report by mid-September, and if favourable, Holden believes that board and family acceptance will be forthcoming.

Churchbury Estates well ahead at £0.92m

By William Codrane FOLLOWING LAST year's reverse takeover of the Law Land Company, Churchbury Estates has produced preliminary results for 1981-82 which tally with stock market expectations—when account is taken of year-end provisions.

Difficult year ahead for South Africa's mines

THE MAJOR industrialised economies of the world have seen the turning point of the economic cycle, and the upswing has started, Mr Lynn van den Bosch told the South African Chamber of Mines yesterday.

Ecobric set for USM placing

ECOBRIC, a North London scrap metal processor which also engages in demolition work, is joining the USM by way of a placing which will capitalise the company at £1.7m.

Bridgend recovery delayed

A reduction from £253,000 to £221,000 in its pre-tax losses is reported by Bridgend Processes for 1981—at halfway, the losses were down from £99,881 to £55,234.

Peru industry claimed to be near collapse

FALLING WORLD metal prices have brought the small- and medium-scale mining sector in Peru to the verge of economic collapse, according to Mr Javier Barco Saravia, president of the Peruvian Miners' Association.

Halma moves ahead to £1.7m

IN LINE with Halma's interim forecast, it has reported taxable profits of £1.7m in the 53 weeks to April 4, 1982, compared with £1.2m for the previous 53 weeks.

CPI Holdings sharply down at midyear

FOR THE six months to March 31, 1982 CPI Holdings, an Irish subsidiary of Marley, returned sharply lower pre-tax profits of £247,000 compared with £270,000 previously.

Approval for development of Jabiluka uranium

THE DEVELOPMENT of the huge Jabiluka uranium deposit in Australia's Northern Territory came a step closer to reality yesterday with the announcement that the local Aborigines, traditional owners of the land above the orebody, have given their approval to the project.

LONDON TRADED OPTIONS

Table with columns: Option, Ex-relise price, Closing offer, Vol., Closing offer, Vol., Equity close. Lists various options like BP (c), Shell (c), etc.

RESULTS AND ACCOUNTS IN BRIEF

JAMES BURROUGH (distiller of Beefeater gin and Borzoi vodka)—Results for year to February 28, 1982, and pre-tax profit £1,700,000 (£1,700,000). ROUSTEAD (commodity trading, import/export, engineering, insurance) —Results for year to March 31, 1982, and pre-tax profit £1,700,000 (£1,700,000).

YEARLINGS

The interest rate for this week's issue of local authority bonds is 13 1/2 per cent, up an eighth of a percentage point from last week and compares with 13 1/2 per cent a year ago.

Realising potential...

Advertisement for Burnett & Halamshire Holdings Plc. Text: 'Three years ago Burnett & Halamshire was a UK operating company generating profits before tax of £3.5m. Through internal growth and substantial investment since 1979, Burnett & Halamshire is now an international mining, property and energy group operating world-wide and generating profits in excess of £21m.'

Advertisement for Schroder Managed Currency Fund Limited. Text: 'This advertisement is issued in compliance with the requirements of the Council of the Stock Exchange. It does not constitute an invitation to the public to subscribe for or purchase any securities.'

Table titled 'FINAL RESULTS to 31 March' with columns for 1982, 1981, and Increase. Rows include Group turnover, Profit before taxation, Earnings per share, Dividend per share, Capital employed, Return on average capital employed.

Companies and Markets

BIDS & DEALS

Company Meeting

THE SCOTTISH AGRICULTURAL SECURITIES CORPORATION p.l.c.

The Forty-ninth Annual General Meeting of Shareholders of The Scottish Agricultural Securities Corporation p.l.c. was held within the Registered Office of the Corporation on 29 June 1982.

The continued high level of interest rates has once again caused a reduction in the number of applications to the Corporation. It did not prove possible to hold the lending rate of 15% which was in operation at the beginning of the financial year.

This Meeting is the last which Mr Macmillan and Mr Patullo will attend. I would like to express my appreciation of the work they have done for the Corporation during their years of office.

Nimslo takes 12% of Berkey

Nimslo International, the 3-D camera company set up by inventors Dr Jerry Nims and Mr Allen Lo, has bought a 12.1 per cent stake of Berkey Photo Inc.

As a result of the transaction, Nimslo becomes the largest single shareholder in the company. Shares of Berkey Photo are traded on the New York Stock Exchange.

Shares of Berkey Photo are traded on the New York Stock Exchange. Nimslo, whose activities are photo processing and wholesale and retail distribution of cameras and other photographic equipment, reported revenue of \$182m for the 1981 financial year and net income of \$2.6m.

Tetley buys coffee producer

American Maize Products Company has signed a letter of intent to sell its S. A. Schonbrunn subsidiary to Tetley, Incorporated, though the consideration has not been disclosed.

The sale is subject to board approval by both companies, the signing of a definite agreement and to Government filings. American Maize said, it thought there were better areas it could put its money into.

Schonbrunn makes and sells Svarin, Medaglia D'Oro, Brown Gold and El Pico coffee brands. Tetley is a subsidiary of Allied-Lyons the London-based food and beverage company.

Grimshawe shares are suspended

MR THOMAS KENNY, the chairman of Grimshawe Holdings, said yesterday that he expects to reveal on Friday or possibly early next week why the board requested a share price suspension, at 17p per share, of dealings in the loss-making household supplies manufacturer.

Grimshawe has been progressively slimmed down since Mr Kenny assumed control of the former banking and industrial holding company some eight years ago. Last October it announced the sale of what had been its largest subsidiary, J. Manger and Son, the paints and DIY equipment manufacturer, but has since announced that interim losses to the end of that month had deepened from \$74,000 to \$264,000 before tax.

Setback for Maurice James

Second half pre-tax profits at Maurice James Industries fell by \$36,000 to \$306,000, and figures for 1981 as a whole were also lower at \$545,000 compared with \$580,000.

The directors say that net reduction in overall group borrowings is in excess of £1m. On a CCA basis, pre-tax profits were lower at \$283,000 (\$428,000).

after associates' profits of \$80,000 (up from \$57,000 in 1980). Tax was substantially higher, at \$243,000 (237,000). There were minority credits of \$16,000 (17,000 debits) and extraordinary debits of \$30,000 (25,000 credits). Stated earnings per share were down from 4.4p to 2.4p.

Ir£362,000 pre-tax loss for McCairns

DUBLIN-BASED vehicle distributor McCairns (PMPA) recorded a pre-tax loss of Ir£362,000 in the 15 months to December 31, 1981, compared with profits of Ir£219,000 in the previous 15 months.

There was a tax credit of \$166,000, against a charge of \$181,000. Profit on the sale of leasehold buildings produced an exceptional credit of \$102,000.

Ldn. American Energy optimistic

In the first quarter to March 31, 1982, London American Energy, the only substantial asset of London American Energy Investments, increased cash and short term investments by \$78.1m (to \$259.7m).

The directors say that an appreciation of the data available from recent oil and gas exploration leads them to believe that total expenditure to date on oil and gas properties, including dry holes, has identified reserves which are a net present value substantially in excess of that expenditure and future related development expenditure.

B.E.T. Omnibus falls sharply to £4.64m

TAXABLE PROFITS of B.E.T. Omnibus Services fell from £8.32m to £4.64m for the year to March 31, 1982 despite a £4.21m improvement in turnover to £57.74m.

Table with columns for SPAIN, June 25, and various bank names and prices.

Fairclough pays £6m for stake in Press

Fairclough Construction has acquired 10,967,777 ordinary shares (14.56 per cent) in Wm. Press Group.

Prior to this, Fairclough held no ordinary shares in Press. The cash consideration for the holding (including the amount of the subscription rights entitlements) was £6.58m.

Fairclough has acquired these shares as an investment from members of the Allpress family, and their trustees. Board of Press was informed of the proposed purchase and in response to a question from the Press board, Fairclough has stated that it does not intend, without the approval of the board of Press, to increase this holding.

UEI TERMS FOR YEWLANDS GROUP

Terms for United Engineering Industries' acquisition of Yewlands Engineering and Precision Engineering Services (the Yewlands Group), provide for additional consideration to be paid to vendors related to profits for years ending March 31 1982 and March 31 1983.

Crean agreed offer for Peterson

James Crean, Dublin-based bottler and distributor of beer and stout, has made an agreed share offer for fellow Dublin group, Peterson Tennant, a pipe-maker. The companies announced earlier in the month that they were having talks and yesterday details of an agreed offer, valuing Peterson at £2.75m, were released.

Crean is offering two of its own shares for every three Peterson, plus £1 in cash for every preference share. The bid is subject to all the usual conditions, including approval by Crean's shareholders. The Peterson board intend to accept as to their own shareholdings, amounting to 12.9 per cent of the ordinary, and 9.1 per cent of preference. Directors of both companies say in a joint statement that "the merger will provide a strong foundation for the future". Peterson's trading performance is currently adversely affected by problems in "certain areas," but rationalisation measures have been implemented to restore profitability in these divisions.

BASE LENDING RATES

Table listing various banks and their base lending rates, including A.B.N. Bank, Allied Irish Bank, American Express Bank, etc.

SGB JOINT VENTURE IN SINGAPORE

SGB Group has formed a joint venture in Singapore with Hoe Sang Huan (Hardware), formerly the Singapore agent of SGB Export. SGB Group has a controlling interest in the new company, SGB Scaffolding and Formwork (PTE), which will spearhead the sales of SGB building equipment in Singapore.

EUROPEAN OPTIONS EXCHANGE

Table showing European Options Exchange data with columns for Series, Vol., Aug., Nov., Last, Vol., Last, Stock.

Analysis of bank advances and acceptances to UK residents by reporting institutions in the UK at May 19 1982

Large table with multiple columns showing bank advances and acceptances to UK residents, categorized by bank type and currency.

M. J. H. Nightingale & Co. Limited

Table listing various companies and their prices, including High Low, Company, Price, Change, Div. (p), % Actual, P/E, Fully.

Futures Markets - their commercial uses

Exchange and Interest Rates Stock efficiency and Financing Pricing and Budgeting Managing and Finance Directors may wish to discuss how the use of the existing and developing Futures Markets can offer advantages which, at first sight, might not be apparent.

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Companies and Markets

INTERNATIONAL COMPANIES and FINANCE

A leap in bond issues reflects pent-up demand for credit, Peter Montagnon reports

OECD sees borrowings of \$160bn this year

THE Organisation for Economic Co-operation and Development has raised its forecast level of borrowing on international capital markets this year to between \$180bn and \$170bn from the total of about \$143bn projected in March.

The OECD says in its latest Financial Market Trends that this increase will take place despite some easing of balance of payments problems as a result of the decline in oil prices. Previously it had expected borrowing to be little changed from last year's underlying level of \$143bn which excludes the exceptionally large Eurocredits raised by U.S. companies in connection with takeover developments last summer.

Table with 3 columns: Country, 1981, 1982, April-May. Rows include U.S.S., D-mark, SwFr, Yen.

On expectations that domestic capital markets will remain over-burdened with the demands of public sector financing. This will force other borrowers out into the international arena.

In the first five months of this year, total borrowing on international capital markets was already running well ahead of last year, at an annual rate of some \$175bn.

But even more striking has been the sharp increase in activity in international bond markets, while medium-term Eurocredit financing has remained relatively constant, says the OECD.

Between January and May new international bond issues were running at an annual rate of almost \$80bn compared with \$48bn last year. New Eurocredits, however, rose only marginally to \$87bn from \$95bn, largely because of the greater caution now being displayed in international lending.

An important factor behind the increase in bond financing has been demand for funds from U.S. corporations, especially on the Eurodollar bond market. This reflects a pent-up demand

for credit, but it may also indicate expectations of continuously high long-term rates of interest.

Until early June, the international bond markets were easily able to accommodate these increased demands. Since then the oversupply of both international and domestic new issues has re-emphasised the continuing vulnerability of bond markets under present conditions of economic and financial uncertainty.

Indeed, the final amount of borrowing on these markets in 1982 will depend heavily on the extent of any decline in U.S. interest rates. The OECD says. This explains why its forecast of overall capital market activity this year is couched in such unusually broad terms.

Activity in the Eurocredit markets is likely to remain at or slightly above last year's levels for the rest of 1982. Demand for funds remains strong, especially from non-oil exporting developing countries, whose balance of payments deficit is expected to rise to an aggregate \$78bn from \$74bn in 1981.

MEDIUM-TERM EURO CREDIT CONDITIONS

Table with columns for 1981 (Jan-Mar, Apr-Jun, July-Sept, Oct-Dec) and 1982 (Jan-Mar, Apr-May). Rows include New Loans, Average life, Average margin, OECD share of total loans.

\* Sbn annual rate—figures for third and fourth quarters of 1981 are distorted through inclusion of U.S. corporate borrowing in connection with takeovers.

Source: OECD

the OECD countries should fall by \$10bn, but will still be in the region of \$64bn.

But while funds available for lending have remained ample, the OECD warns that the cautious stance of banks, particularly in Europe, has accentuated the market's tendency to differentiate between relative credit risks.

The average margin paid by developing countries in April and May rose to 1.1 per cent from 0.85 per cent in the first quarter, while that paid by industrialised countries slipped to

0.53 per cent from 0.56 per cent. Eurocredit banks are likely to continue to display a strong preference for top-quality credit risks, both within the OECD area and outside, as a result of increasing problems with domestic business and the risk of more debt re-schedulings by individual countries.

But in addition they may also try to place a growing emphasis on total client relationships and those forms of financing which create additional income without increasing portfolios unduly.

Morgan Guaranty still top trust asset manager

BY OUR NEW YORK STAFF

MORGAN GUARANTY remains the largest manager of trust assets of any bank in the U.S., with a portfolio of \$65.2bn at the end of 1981, according to a survey in today's issue of the American Banker. However its portfolio decreased in size during the year, and so did that of Citibank, the number two bank in the top ten.

Bankers Trust, in third place, increased its portfolio to \$18.5bn, only just short of Citibank's \$19.8bn.

The survey, conducted annually by the American Banker, covers discretionary assets—those accounts over which the bank itself decides

what securities should be bought or sold.

The fastest growing bank in the list is Provident National Corporation of Philadelphia, which jumped from eighth to fourth position after a 52 per cent bump in its assets to \$15.9bn.

Continental Illinois also jumped four places in the list to the number five slot, with \$13.2bn under management at the year end.

The other five banks on the list, in descending order, are Chase Manhattan, Mellon National, Northern Trust Corp., Harris Bankcorp, and Manufacturers Hanover.

Nimslo buys stake in film processor

BY OUR FINANCIAL STAFF

NIMSLO International, the Bermuda-based company which owns worldwide rights to the Nimslo 3-D photographic system, has acquired about 12.1 per cent of the outstanding common stock of Berkeley Photo in a deal worth roughly \$2.25m. Berkeley Photo had sales of \$18.4m and net profit of \$1.2m or 35 cents a share in 1980. It operates retail camera and film processing outlets.

Nimslo said the 601,170 shares held by Nimslo Corporation, its U.S. subsidiary, were bought for about \$3.75 each in private transactions mainly with Mr Benjamin Berkey, founder and chairman, and his family.

New Zealand launches DM100m five-year bond

BY ALAN FRIEDMAN

THE GOVERNMENT of New Zealand yesterday became the first to issue a five-year Eurodollar bond, a healthier undertaking than several dealers are covering their short positions—taking on more bond inventories—and there are an increasing number of bargain hunters looking for high quality paper at cheap prices.

This week's main talking point concerns the U.S. Treasury auctions. The relative success of the auctions will probably affect the psychology of both the U.S. and international markets.

It is likely that today will see the launch of a DM 100m seven-year issue for Enhart, the U.S. financial group. BHF Bank is expected to lead the issue, which should come if the market does not deteriorate.

Prices of D-mark foreign bonds gained about 1/2 point in moderate trading. For the first time in several days dealers reported a fair amount of two-way business.

The Eurodollar bond market also picked up yesterday and

some issues were marked up by as much as 1/2 point. The reasons for the Eurodollar sector's healthier undertone are twofold: several dealers are covering their short positions—taking on more bond inventories—and there are an increasing number of bargain hunters looking for high quality paper at cheap prices.

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FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Tuesday July 13.

Table of international bond issues with columns for U.S. Dollars, Issued, Bid, Offer, Change, Yield.

Table of international bond issues with columns for Other Straights, Issued, Bid, Offer, Change, Yield.

Table of international bond issues with columns for Deutsche Mark, Issued, Bid, Offer, Change, Yield.

Table of international bond issues with columns for Convertible, Issued, Bid, Offer, Change, Yield.

Molson holds profit despite market slip

BY OUR FINANCIAL STAFF

MAINTAINED first quarter earnings and forecast by Molson Comptoirs de la Cadienne brewery, despite a smaller share of the domestic beer market, according to Mr J. T. Black, chairman of the group.

Market share has declined marginally to about 37 per cent, he declared, but the group should be able to match the C\$1.6 a share earnings registered for the first three months last year.

However, he told shareholders that the company expects "to show no more than moderate growth in earnings" for the full year.

Capital spending, meanwhile, is still expected to decline in the current year (to end March 1983) to C\$57m (US\$44m) from fiscal 1982's C\$65m. Spending for the company's brewing operations should total about C\$38m.

Interco falls for first time in 17 years

BY OUR FINANCIAL STAFF

EARNINGS at Interco, one of the largest U.S. manufacturers and retailers of shoes and clothes, have fallen for the first time in 17 years because of the U.S. recession.

Profits for the first quarter ended May 31 plunged from \$25.38m or \$1.55 a share to \$16.17m, or 99 cents a share. Sales were also lower at \$808.27m against \$838.43m.

The company said it expected the conditions which hit first quarter earnings also to adversely affect second-quarter figures.

AHS sells dental units

BY OUR FINANCIAL STAFF

AMERICAN HOSPITAL Supply (AHS), the largest U.S. distributor of hospital and laboratory equipment, has sold its worldwide dental manufacturing and distribution interests to Sybron, a smaller health care group specialising in dental products, for a total of \$87m in cash and shares. The deal follows an agreement in principle announced last March.

The transaction, which is due to be completed by September 30, values AHS five U.S.-based dental operations at \$86m, to be paid in AHS common stock, with an option to pay \$21m cash for the foreign operations. The five subsidiaries had combined sales of \$94m in 1981, yielding profits of \$5.4m.

Columbia and RCA in video venture

By Paul Betts in New York

RCA, the large U.S. communications conglomerate, has reached an important agreement with Columbia Pictures, the film company now owned by Coca Cola, to strengthen its presence in the fast growing home video entertainment market.

The deal involves setting up a joint venture between the two companies to market video cassettes and discs in the U.S. and Canada. A similar venture between the two companies was set up last year to distribute video programmes in other parts of the world.

Under the new agreement, RCA will have access to Columbia Picture's extensive motion picture and television film libraries. Coca Cola, Columbia's parent company, said RCA would pay more than \$50m over a three-year period for access to the libraries.

RCA said the venture was part of its programme to make its entertainment business in the longer term a major contributor to growth and profits. But despite RCA's strong presence in the video market, the company's investment in discs has proved somewhat disappointing.

The latest deal with Columbia also reflects a general trend in the home video business. The major U.S. networks are entering into joint venture deals to strengthen their presence in this emerging market.

CBS, for example, one of the major rivals of NBC, the national broadcasting network owned by RCA, recently announced a joint venture in the home video business with Twentieth Century Fox.

Super Valu edges ahead

BY OUR FINANCIAL STAFF

EARNINGS at Super Valu Stores, the largest food wholesaler in the U.S., edged ahead in the first quarter from \$18.5m or 51 cents a share to \$18.5m or 51 cents a share, an increase marginally higher at \$1.48bn compared with \$1.37bn.

Sohio's Prudhoe Bay oil stake to be cut

BY OUR NEW YORK STAFF

STANDARD OIL Company of Ohio, the large U.S. oil company 53 per cent-owned by British Petroleum, will see its share in the giant Alaska Prudhoe Bay oilfield reduced by a little over 21 per cent as a result of a final redetermination of participating interests in the largest frontier oilfield to be discovered in America.

The redetermination of interests in an oilfield is a common practice in the oil industry and is a highly technical and complicated process to determine the fair share of production due to companies participating in a field.

Under the agreement now reached between Sohio and its other two partners in Prudhoe Bay, Exxon and Atlantic Richfield, Sohio's share in the oil reservoir will drop from 52.96 per cent to 50.41 per cent.

At the current maximum allowed production rate of 1.5m barrels of crude a day from the Prudhoe Bay field, Sohio's share of production will drop to about 661,700 barrels a day from about 685,000 barrels.

However, because Sohio is in excess of its newly determined share since production ceased on stream in 1977, the company has agreed to under-bill about 75,200 barrels a day for a 24-month period starting September 1. As a result,

Sohio's daily net crude production during this period will average about 586,500 barrels to rise afterwards to 661,700 barrels.

Exxon's oil interest in Prudhoe Bay will now increase from 20.4 per cent to 21.7 per cent. Under the agreement, Exxon's daily crude production will increase by 62,000 barrels for the 24-month period, or about 20 per cent more than current levels. After two years, Exxon will lift 19,000 barrels a day more or 6 per cent more than current levels.

As for Atlantic Richfield, its oil share will rise 1.282 per cent to 21.864 per cent. The company will be able to lift 17,000 barrels a day more to 254,000 barrels a day at the same time as receiving 37,500 barrels a day of additional oil for the 24-month period.

While the redetermination will affect Sohio's earnings this year, the company said the effect would be mitigated by reduced payments to BP for its royalty interest in Sohio's Prudhoe Bay production. At the same time, the company expects to recover excess development expenditure of about \$315m by the end of this year and excess operating costs of about \$65m are expected to be recovered by the end of the first quarter of next year.

Corning Glass earnings slide in second quarter

BY OUR NEW YORK STAFF

NET INCOME of Corning Glass plunged from \$26.6m or \$1.26 a share to \$12.7m, or 60 cents a share during the second quarter of 1982, and the slide would have been even steeper but for a \$4.8m capital profit from the repurchase of stock.

Although net income from Corning's Associates remained relatively stable in the period at \$9m, the group's sales fell from \$399m to \$358m and its net operating income all but disappeared.

In addition, Corning said that following the end of the second quarter, MetPath—a recent acquisition—had incurred a realised loss of \$4.5m before tax and an unrealised loss of \$1.7m mainly from unauthorised security dealings.

Corning's net income after six months is put at \$25.2m or \$1.19 per share, compared with \$50.4m or \$2.37 per share in 1981. Last year's figures have been restated to include MetPath. Half-year sales were \$752m against \$627m previously.

Mr Amory Houghton Jr, Corning's chairman, said there had been a number of encouraging signs as the quarter drew to a close. Consumer orders had increased so had profitability in Europe.

Operating expenses and capital continue under the closest control since we expect a slow summer and only a mild 'thru-in-the-fall', Mr Houghton added.

At the beginning of April, the group cut the pay of all its salaried employees by 5 per cent.

Advertisement for Fläkt AB, featuring the text 'The Name to Know in Air Technology', 'Continuing Technical Progress', and 'Major Acquisitions in U.S. and Sweden'. Includes a table of annual report highlights.

INTERNATIONAL CO MPANIES and FINANCE

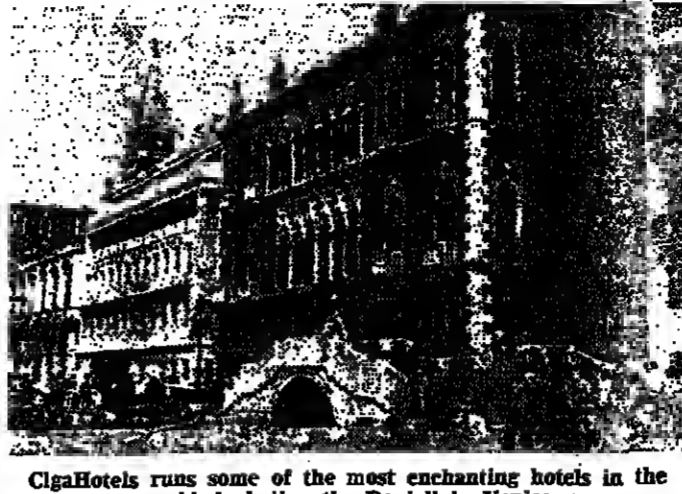
Court rules against Bouygues bid to take over Drouot

BY TERRY DODSWORTH IN PARIS

BOUYGUES, the French construction group, has lost its bitter five-month battle to take over Drouot, the country's ninth largest insurance group. The defeat of the Bouygues bid came in a surprise decision by the Paris commercial court...

Rupert Cornwell in Rome looks at a businessman's approach to an elite hotel group's profits Bagnasco storms CigaHotels out of its slumbers

IS nothing sacred any longer? Resigned tourists to Rome must have wondered earlier this year, confronted by the spectacle of red flags and raucous revolutionary music issuing from loudspeakers rigged up outside the Excelsior and Grand hotels...



CigaHotels runs some of the most enchanting hotels in the world, including the Danielli in Venice

take-off is expected in 1983, when, says Sig Ciafranco Tinelli, Ciga's planning director, turnover should hit L1,600m (\$1,150m), to generate "notable" profits.

millionaire the services on offer, and to switch the emphasis from elaborate "international" cooking to more purely Italian fare. But a common thread running through all Ciga's difficulties was what the new management swiftly identified as an excess of staff...

Swiss bank secrecy pact

ZURICH—Switzerland's banking secrecy will be eroded slightly as a result of an agreement announced yesterday between the Swiss bankers' association and the Swiss central bank.

Decision soon on Akzo project

BY WALTER ELLIS IN AMSTERDAM

AKZO, the Dutch-based chemicals group, may shortly begin work on a Fl 600m (\$213m) project which by 1986 could make it a world leader in the production of aramide fibres.

Norcem opens year with wider losses

By Our Oslo Correspondent

NORCEM, the Norwegian cement and building materials group, reports a pre-tax loss of Nkr 72m (\$1.1bn) for the first four months of this year, compared with a loss of Nkr 52m a year ago.

Elf Aquitaine profit up

BY OUR FINANCIAL STAFF

HALF-YEAR consolidated profits of Elf Aquitaine, the French state-owned minerals and energy group, have improved by 14 per cent, from a corresponding FFf 2,070m to FFf 2,370m (\$343m).

Advertisement for American Express Overseas Finance Company N.V. featuring \$75,000,000 in notes due 1989, guaranteed at 14 3/4%. Lists various international banks and financial institutions.

Alko is looking for a 50:50 joint venture with the Government. It may, however, have to settle for less unless it can convince the authorities that the return on their investment will extend beyond 400 jobs at Fl 750,000 each.

Cogema hit by stagnation in nuclear fuel demand

BY OUR PARIS STAFF

STAGNATION in demand for nuclear energy left Cogema, the French state-controlled nuclear fuels group, with a deficit last year. The levelling off of the nuclear market was shown in the group's turnover figures, which rose by only 1.4 per cent from FFf 6.9bn to FFf 7bn (\$1bn).

Advertisement for Mental Welfare Society featuring a photo of a man and text: 'Perhaps the bravest man I ever knew... and now, he cannot bear to turn a corner'. Includes contact information for the society.

Lufthansa forecasts better results

LUFTHANSA, the West German airline, will finish the current business year with better results than in 1981, AP-DJ reports from Cologne.

Herr Heinz Ruhnau, the company's new managing board chairman, said he was convinced that despite the air transportation industry's difficulties, losses on route service will shrink this year.

Advertisement for Morgan Guaranty Trust Company featuring a harp logo and text: 'IRELAND U.S. \$50,000,000 Floating Rate Notes Due 1988'. Includes details about interest rates and payment dates.

Handwritten Arabic text: هكذا من الأصيل

# Paying for peace among Japanese shareholders

BY YOKO SHIBATA IN TOKYO

MITSUBISHI-ELECTRIC had a placid 18-minute annual shareholders' meeting yesterday despite charges brought last week that some employees had paid U.S. undercover agents for details of the latest technology of International Business Machines.

A rousing shareholders' chorus of "ryokai" — we agree — greeted Mr Nihachiro Katayama, Mitsubishi Electric's president, when he asserted that there was "no infringement of the law." Some 260 shareholders attended.

Hitachi, the other Japanese computer company involved in the case, fared even better on Monday. Its meeting of some 400 shareholders lasted 13 minutes. The lone attempt by a shareholder to ask a question was shouted down by fellow shareholders chanting "move to the next item."

Today is the last day of the 72-hour peak of Japan's annual meeting season. Some 470 companies across the country will have met their shareholders in this period. Almost without exception the meetings will have been brief and trouble-free with the boards' proposals unanimously endorsed. Rarely do these events last longer than 20 minutes.

This order and harmony is often achieved by the liberal use of paid supporters, sokaiya, but it can also mean racketeer.

Sokaiya extract money from companies in which they hold a few shares by threatening to disturb shareholder meetings with embarrassing questions. Alternatively they undertake to smooth out the meeting by warding off troublesome questions from other shareholders.

The National Police Agency estimates that 70 per cent to 80 per cent of shareholders attending meetings are sokaiya. About 6,500 of them are at work in Japan organised into about 500 groups. The rapid rise from about 4,200 a decade ago mirrors the country's rapid economic growth.

Typical payments to keep quiet about redundancies, industrial pollution, the peccadilloes of executives and other such subjects fall into the ¥100,000 to ¥200,000 (\$400-\$800) range.

The largest recorded payment in a single sokaiya was ¥10m (\$40,000). Total budgets of ¥100m per company are not uncommon.

Daiwa Securities surveyed the 1981 annual meeting of 609 companies and found that 131 had each paid off between 100 and 200 sokaiya. A further 77 had dealt with more than 500.

The onset of the sokaiya season in May and June is marked by the growing numbers of visitors to the corporate affairs offices of major corporations. The reception rooms fill up with pin-stripe suited men, many sporting dark glasses and some facial scars. An active sokaiya can visit 10 companies in a day.

Shareholders meetings are open to anybody holding shares with a minimum par value of ¥50 (20 cents U.S.). The growing use since the Second World War of Western-style meetings has given sokaiya a rapidly expanding market.

Over the years sokaiya's tactics have become increasingly sophisticated. Most operate legally under the guise of business consulting firms, economic research institutes or publishing companies. They solicit sanjokin — "contribution money" — in the form of consulting fees, or subscription and advertising payments.

But the infiltration in recent years of these businesses by the underworld has become a grave concern to the National Police Agency. This has led to a revised commercial code which

# Narrower margins slow LTA growth

By Our Johannesburg Correspondent

LTA, the major South African construction and engineering company, which is controlled by Anglo American Corporation, was affected by narrower margins and higher interest rates in the year ended March 31.

Turnover rose by 42 per cent to R266m (\$735m) from R187m, but operating profits before interest and tax rose by only 34 per cent to R22.5m from R17.1m.

The company's interest bill rose to R4.2m from R3.6m, which meant that profits before tax but after interest payments advanced by only 11.4 per cent to R18.6m from R16.7m.

At the end of March, the value of uncompleted work on hand was R87m compared with R76m a year earlier. By June 28 this year, however, the amount had fallen to R76m, reflecting a marked slowdown in the rate of ordering of civil engineering and construction projects.

A total dividend of 35 cents a share has been declared on earnings of 101 cents a share. In the year ended March 31, 1981, earnings were 83 cents a share and a total dividend of 30 cents a share was paid.

# Australian Woolworths in A\$200m bid for Grace

BY OUR FINANCIAL STAFF

WOOLWORTHS, the major Australian stores group, has made a takeover offer worth about A\$200m (U.S.\$206m) for Grace Brothers, a competing chain.

A fierce battle for control of Grace has developed in recent weeks with four groups each taking shareholdings of about 18 per cent in it.

Woolworths, which is unconnected with F. W. Woolworth of the U.S. and the UK, has made its offer conditional on the acceptance of 51 per cent of Grace stock.

The offer consists of a share and convertible note deal which

values each of Grace 47.45m common shares and each of its 10.25m convertible notes at about A\$3.50, roughly the level seen in recent heavy trading of the stock.

Woolworths will offer nine of its ordinary shares plus six convertible notes worth A\$1.62 each for seven Grace shares and/or convertible notes.

Officials of Woolworths and Grace were not immediately available yesterday for comment.

Grace Brothers said last week that about 72 per cent of its shares were in the hands of four groups.

The Grace family and com-

pany pension fund had 17.7 per cent of the shares and 8.6 per cent of the non-voting convertible notes.

Savvina, a Canberra-registered company which is representing the interests of Tan Sri Khoo Tech Pnat, the Singapore banker turned hotelier and developer, has 18.1 per cent of the shares and 27.5 per cent of the notes.

Bond Corporation Holdings of Perth has 18.2 per cent of the shares while Adelaide Steamship Company, which like Bond is heavily involved in retailing, has 18.2 per cent of the shares and 17.9 per cent of the notes.

# Profits up 24% at Banco Atlantico

By Robert Graham in Madrid

BANCO ATLANTICO, the largest of the 18 banks controlled by the Rumasa Group, has announced a 24 per cent increase in pre-tax profits in 1981 to Pta 1.5bn (\$12.4m).

This profit increase is slightly below the average for the big seven banks, but Atlantico was able to raise its share of the market marginally to 1.7 per cent.

During the year deposits in pesetas increased by 19 per cent and in foreign currency by 41 per cent to total Pta 159bn. The profit performance was attributed to the persistence of high interest rates and the bank's success in holding down operational costs.

Atlantico achieved an increase in productivity by holding the workforce steady at 3,546, yet managing to open 14 more branches. International business also played an important part, accounting for 25 per cent of total business.

Of the pre-tax profit, Pta 634m will be set aside for dividends and Pta 510m for reserves, raising total assets by 4.8 per cent to Pta 11bn.

Rumasa now owns directly and indirectly 57 per cent of Atlantico, which was formerly linked to Continental Illinois of the U.S.

# Currency gains boost Kao Soap

BY OUR FINANCIAL STAFF

KAO SOAP, a major Japanese detergent manufacturer, has reported a 74 per cent rise in consolidated net earnings for the year ended March, partly because of foreign currency gains.

Net earnings climbed to ¥5.26bn (\$20.6m) from ¥3.02bn a year earlier. Sales rose 14.8 per cent to ¥294.14bn (\$1.155bn) from the previous fiscal year's ¥256.33bn.

Favourable foreign exchange conditions resulted in a ¥500m gain.

The profit rise also reflected recovery from a poor performance in the previous year when price increases forced by spiralling material costs combined with poor sales resulting from the unseasonably cool summer to hurt the earnings.

Kao is hoping that the current fiscal year will prove to be even better. It estimates that net earnings will climb to about ¥5.8bn on sales that are expected to total some ¥314bn.

Obbayashi-Gumi, one of Japan's top five integrated construction companies, has reported net earnings of ¥10.65bn (£43m) for the year ended March compared with ¥7.93bn a year earlier.

Turnover rose to ¥687.43bn (\$2.7bn) from ¥655.22bn. Operating profit was ¥34.99bn, compared with ¥34.8bn, while pre-tax profits rose 34 per cent to ¥24.91bn.

The company forecasts net profits for the current year of ¥11.1bn on sales of ¥706bn.

## Company Announcement

## 92nd ANNUAL GENERAL MEETING OF THE CHAMBER OF MINES OF SOUTH AFRICA

# Mining expansion plans reflect confidence in South Africa

This is an abridged version of the address by the President of the Chamber of Mines of South Africa, Mr L. W. P. van der Bosch, at the 92nd annual general meeting of the Chamber, held in Johannesburg on June 29, 1982.



L. W. P. van der Bosch  
President of the Chamber of Mines of South Africa, 1981-82

The South African mining industry last year failed to match the exceptional results achieved in 1980, but nevertheless performed well in the far less favourable circumstances of 1981.

Although mineral sales declined in value from the level achieved in 1980, they were still 40.7 per cent higher than in 1979 and the industry continued to expand, with capital expenditure by producing gold mines alone reaching a record R1 222 million last year, 32.5 per cent higher than in 1980.

The scale of expansion reflects the industry's confidence in the future and although South Africa's economic growth rate almost halved last year from a peak of about 8 per cent in 1980 and since then has contracted further, the country should be able to look to a gradual revival of the economy in the wake of an expected improvement in mineral export earnings from next year onwards as the industrialised nations move out of the current recessionary phase.

The capacity of the mining industry to help generate and sustain economic growth will be particularly important in the next few years, as whatever blueprints emerge from the current discussion on constitutional and other reforms, continued stability in what appears to be an increasingly fluid domestic political situation will rest heavily on the degree to which the economic aspirations of the population as a whole can be accommodated.

### The Gold Market

The pendulum which in recent years has favoured investment in gold swung the other way in 1981, resulting in a fall in the average price of gold on the London market from U.S.\$613 per fine ounce in 1980 to U.S.\$460 last year, with the price falling from an average of U.S.\$557 in January to U.S.\$410 in December 1981.

There were, however, some significant geographical variations in the demand for gold,

investment demand being relatively inactive in Europe and the U.S., but surging strongly in the Middle and Far East.

While the fall in the gold price in 1981 had a severe impact on investment demand it was offset to some extent by the increase in the demand for gold jewellery, resulting from the lower gold price and the reduced volatility. A total of about 756 tons of gold, including recycled scrap, was used for this purpose, as against 518 tons in 1980. The favourable trend has continued into this year and at the present stage it can reasonably be expected that more than 800 tons of gold will be fabricated into jewellery during 1982.

Sales of Krugerrands increased to over 3.5 million ounces in 1981 compared with 3.1 million ounces in 1980. This is a fine achievement in view of the gold price performance, high interest rates and intensified competitive activity during the year. The total revenue earned in 1981 declined marginally to R1 475 million from R1 527 million in the previous year as a result of the lower gold price. The success of the Krugerrand range of gold coins is attributed to the widespread international appeal of the four denominations of the coin, of which a total of about 40 million have now been sold worldwide. While Europe and north America remained the dominant Krugerrand markets, the rapid growth of demand in Japan and the increased allocation of coins to the South African market both played a significant role in the overall results.

In the first five months of 1982, sales of Krugerrands were over 400,000 ounces higher than the 1.2 million ounces sold in the corresponding period of 1981. Despite the recent imposition in the United Kingdom of a 15 per cent Value Added Tax, which is likely to affect this market for several months to come, it is expected that improved Krugerrand sales will in total be maintained for the rest of this year.

The offtake of small gold bars in the East for industrial and investment purposes, particularly kilo bars, led to a shortfall in world refinery capacity for production of such bars in 1980/81 and this trend has continued for much of the current year.

In order to take advantage of this situation the Chamber sought and obtained approval from the authorities to produce and market high purity four-nines gold bars of 1,000 grams each. These kilobars, as they are known, were available for sale from this month and to date 3,000 bars have been sold, but it is the intention of the Chamber not to disturb the existing market for such bars.

The demand for gold at current price levels would seem to indicate that the physical market could, unless there are substantial price increases later in the year, comfortably absorb newly-mined production entering the market

and thereby provide a firm foundation for a resumption of an upward trend in the gold price. Much will of course depend on the speed and nature of the economic recovery in the Western world.

### Labour

In the field of labour and industrial relations the past year has seen intensified efforts to combat the skilled manpower shortage through stepped-up training programmes in the mining industry for all its employees and an initiative to secure an improved industrial relations arrangement which will enable the better utilisation of all the human resources at our disposal, irrespective of race.

This latter development followed a comprehensive analysis by the Chamber of the major industrial relations problems facing the mining industry which identified certain issues requiring industrial relations structures, including the collective bargaining system in operation, the question of freedom of association and the future of the closed shop and the need to allay employees' fears about future job security.

In August last year therefore, a series of meetings was commenced with the 11 employee organisations to debate these issues. Subsequent to that the sixth report of the commission of inquiry into labour legislation (the Wiehahn Commission) was published recommending that race discrimination in employment in the mining industry be abolished by replacing the definition "scheduled person" in the mines and works act with a non-discriminatory definition of a "competent person", provided that seven conditions could be met.

This was followed by the publication of a government white paper in which the Chamber and employee organisations in the industry were urged to take the initiative to reach agreement on the changes required within a reasonable period of time.

An analysis of the matters dealt with in the Wiehahn Commission's sixth report and the government white paper showed that many of the issues which the Chamber was already discussing with the employee organisations were also matters which would have to be tackled if agreement was to be obtained on the changes to the Mines and Works Act contemplated by the Wiehahn Commission.

To date a number of meetings have been held with the 11 employee organisations, but progress in reaching a consensus on the resolution of these major issues has unfortunately been slow.

Unfortunately, given the extremely serious plight of the mining industry and the national economy as a result of drastically reduced mineral earnings in the course of this year, it is not possible to maintain the high level of wage increases to which employees have become

accustomed in recent years.

### The Outlook

South Africa's mining industry was, for the most part, able to accommodate the very high inflationary cost increases during the 1970's, since the prices received for its major products, notably gold and diamonds, rose ahead of the rate of inflation which prevailed.

This situation has suddenly and dramatically been reversed, underscoring the essential wisdom of repeated warnings by successive presidents of the Chamber that since the industry cannot control external market forces it should strive to secure its future so far as possible by rigid control of costs.

During a period of rapid expansion, higher revenues, shortages of skills and generally high inflation, this has been extremely difficult — working costs on the gold mines alone rose by more than 75 per cent over the five-year period 1977-1981 in which the general rate of inflation increased by 65 per cent.

At the same time, real benefits did accrue as the industry seized the opportunity provided by higher gold prices to increase wages, improve the living and working conditions of employees, stabilise the labour force and embark on capital expenditure programmes designed to extend the lives and earning ability of the gold mines.

However, the adverse economic situation which both the country and the industry now face provides an opportunity for consolidation, as, hopefully, many of the factors I have mentioned which have contributed to the inflationary spiral will start abating.

Expansion plans on the operating gold mines have already been trimmed by about 15 per cent and will remain at roughly the same level as last year; there has been a discernible easing of the skilled manpower shortage; the level of wage increases accorded in the more difficult circumstances of the industry this year has been lower and a degree of improvement in productivity has accompanied the increased stabilisation of the labour force.

The economic potential of South Africa remains enormous. If the necessary wisdom and discipline can be applied in the economic sphere to realise this potential, then I have little doubt that the solutions which are necessary in the political field will be that much easier to find.



The full text of this address, in English or Afrikaans, is available from: The General Manager, Chamber of Mines of South Africa, 5 Holland Street, Johannesburg, 2001.

**SR**  
**Salinas y Rocha, S.A.**  
(Incorporated in the United Mexican States)  
U.S. \$25,000,000  
Floating Rate Notes due 1988  
In accordance with the provisions of the Notes and the Agent Bank Agreement between Salinas y Rocha, S.A., and Citibank, N.A., dated December 23, 1981, notice is hereby given that the face of interest has been fixed at 17 1/2% p.a. and that the interest payable on the relevant Interest Payment Date, December 31, 1982, against Coupon No. 2 in respect of U.S. \$5,000 nominal of the Notes will be U.S. \$453.61.  
June 30, 1982  
By: Citibank, N.A., Agent Bank **CITIBANK**

**U.S. \$100,000,000**  
**GenFinance N.V.**  
(Incorporated with limited liability in The Netherlands)  
Floating Rate Notes Due 1992  
Guaranteed on a Subordinated Basis  
as to payment of principal and interest by

**Société Générale de Banque S.A./**  
**Generale Bankmaatschappij N.V.**  
(Incorporated with limited liability in Belgium)  
In accordance with the provisions of the Notes, notice is hereby given that for the six month Interest Period from 30th June, 1982 to 30th September, 1982 the Notes will carry an interest rate of 17 1/2% per annum and the Coupon Amount per U.S. \$10,000 will be U.S. \$876.87.  
Credit Suisse First Boston Limited  
Agent Bank

**U.S. \$25,000,000**  
**UNITED OVERSEAS BANK LIMITED**  
(Incorporated in the Republic of Singapore)  
Floating Rate Notes Due 1989  
In accordance with the provisions of the Notes, notice is hereby given that for the three month Interest Period from 30th June, 1982 to 30th September, 1982 the Notes will carry an interest rate of 17 1/2% per annum. The relevant Interest Payment Date will be 30th September, 1982 and the Coupon Amount per U.S. \$1,000 will be U.S. \$43.76.  
Credit Suisse First Boston Limited  
Agent Bank

# TECHNOLOGY

EDITED BY ALAN CANE

MARK MEREDITH and MAX COMMANDER look at the latest developments in oil drilling

## How to make efficient holes in the earth's crust

A SOVIET-DESIGNED, British developed, mud-powered machine is trying to make a hole in the expanding market for deep well drilling equipment.

Drilling tens of thousands of feet into the earth for oil, gas, water, mineral samples or for geothermal energy can, roughly speaking, be done two ways.

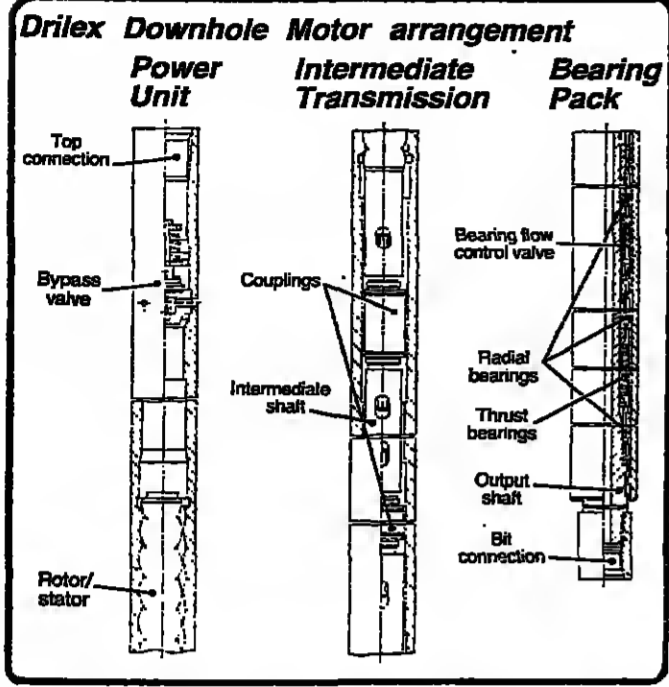
The most common way to Westerners is to have a drill bit churning into the rock at the end of a long pipe which is turned by a powerful rotary motor on the surface. The other method, extensively used in the Soviet Union, uses a drill motor actually down the hole with the driving force right behind the cutting drill bit.

Vital issues drilling far below the surface are the material strengths and power involved in turning the drill as well as the speed of the drill with its associated problems of vibration, friction and wear.

A cutting edge for the operator too is the cost involved in drilling where the lease of equipment, especially offshore, is hugely expensive. Plant hire of this kind can cost \$100,000 a day.

Speed and efficiency are essential. But new systems have often found it difficult to make headway in the conservative world of drill operators who prefer tried and tested systems.

Drilex is an Aberdeen-based company with a conviction it can win converts to its down-hole drill motor. The company is 50 per cent owned by the John Wood group and 50 per cent by Drilex UK, both offshore service specialists.



Mr John Forrest, a director and technical director of Drilex has developed the "D" series of down-hole motor which he says is capable of drilling a hole in half the time of conventional systems in some cases.

The market is a big one with only one per cent of the footage drilled in the U.S. carried out by down-hole motors. About 80 per cent of

The Soviet footage drilled on the other hand uses the system.

The motor involves packing the drive equipment for a motor into a pipe 23 feet long and able to fit down a drill hole.

The motor mechanism is rather like a corkscrew fitted loosely into a casing with a corresponding screw thread—a thread inside a cavity of similar geometry.

The mud is pumped under high pressure from the surface down inside the drill pipe to the motor and through the spiral gap between the threads of the corkscrew and the inner casing to turn the corkscrew and drill bit.

The mud is a mixture, 80 per cent liquid and 20 per cent solids. It must be dense enough to maintain the pressure on the wall of the hole and prevent cave-in or blow outs where gas leaks into the hole, and rises up expanding as it goes.

The solid matter exerts considerable wear on the motor.

Drilex has reduced this wear through the use of ceramic coatings on the steel to be more resilient to wear and the use of carbon fibres for greater strength in some fittings.

The short life of a motor used to be one of its main drawbacks. Some would only have a life of 10 hours before they would have to be drawn back up the hole and operators want to avoid time spent pulling equipment out of the hole. The "D" series developed by Drilex claims a life of 100 hours or more.

The motor is called a positive displacement motor referring to its direct drive mechanism.

Where Drilex feels it has the edge is not only over conventional methods but over the other 10 or so down-hole motor manufacturers in the world is the factors of high torque and low speed.

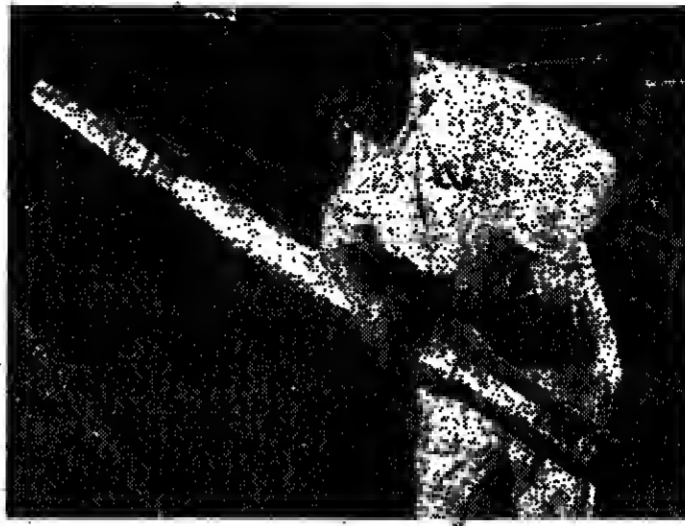
Torque is the turning strength of the shaft. It also explains the huge strains put on a conventional drill pipe thousands of feet in length turning inside a constricted hole. Rather like twisting an elastic band, the actual torque at the drill end can often be five to eight times the twisting strength at the rotary motor on the surface.

The strains on the drill pipe are a constant worry for the operator. The lack of high quality steel able to withstand these stresses was a key factor which led Soviet scientists to develop the down-hole motor which eliminated the strain on the drill string.

In terms of drilling rate the down-hole motor can eat its way by as much as 120 feet an hour. This compares with examples of three to 60 feet in some conventional rotary systems, according to Mr Forrest.

The low speed of the motor enables it to use any system drill bit. Other down-hole motors have much greater speeds limiting the range of bits they can use.

Drilex sees as its main target the land-based drilling rigs which are used for more of them although there are cost advantages to offshore work. And deep hard rock drilling down-hole motors have been used in numerous operations under the sea-bed.



Fitting the section adaptor to a Weir downhole pumpset at the company's Alloa, Clackmannanshire plant

### Reliability standards

WEIR PUMPS of Glasgow, with assistance from British Petroleum, the British National Oil Corporation and the Department of Energy, has developed a new high power downhole pump which, it is hoped, will set new standards of reliability for raising oil and water from deep wells.

Weir believes that even in the very harsh operating conditions of many offshore wells, the pump should have a working life several times that of an equivalent electric unit resulting in a potential annual saving of £1m or more for each pump in operation.

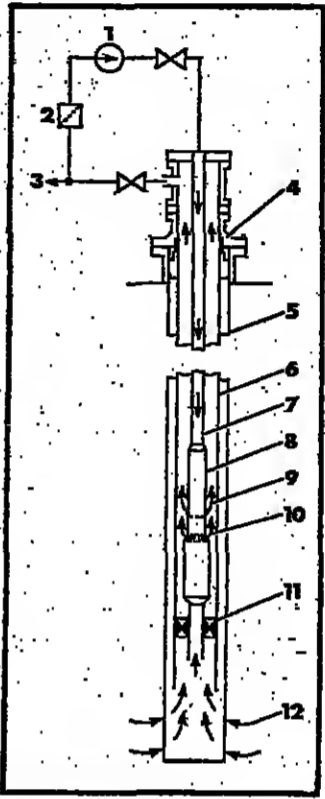
Mr J. D. Sinclair of Weir says that the pump has an hydraulic drive which makes possible a unit about one-tenth the weight and length of existing electrically driven assemblies of the same power. In some examples this can mean a unit 10 ft long as compared with some electrical ones of 100 ft.

First test with a full size 320 hp prototype started in April last year. After 450 hours of test-bed running, including 230 stops and starts at temperatures between 80 and 90 degrees C with the unit mounted at various attitudes and dirt in the circuit, it was difficult to find any appreciable deterioration.

Subsequently, in July last year the prototype was installed 2,000 ft below ground at the Energy Department's geothermal well at Marchwood, Hampshire.

The trial ran for 2,000 hours and now a unit is to be used in a Middle East oilfield where it will raise hot saline water from a deep aquifer for injection into the oil bearing formation.

Mr Sinclair says that his company now has units available to run inside 7 inch diameter tube for flows from



Arrangement of the Weir downhole pump in the well: (1) Hydraulic power fluid pump (2) filter (3) well outlet (4) well head (5) casing (6) production tube (7) hydraulic power fluid supply tube (8) downhole pumpset (9) hydraulic power fluid outlet to production tube (10) pump discharge to production tube (11) sealing packer (12) oil flow into well

2,000 to 15,000 barrels a day at heads from 1,000 to 4,000 ft. For larger wells designs are available for pumping up to 100,000 barrels a day in larger casings.

The Weir Group is at Cathcart, Glasgow (041-637 7111).

### First for London

LONDON WILL be the first city in Europe to use a low power digital microwave radio system developed by DCC as part of Mercury, the private business telecommunications network now under development.

DCC, part of the M/A-Com group, hopes that its part of the Mercury system, called Rapac, will be operating early next year to satisfy the existing demand for high speed digital communications within London.

Subscribers to the London system will need a roof top dish aerial to pick up the data which is transmitted via a central transmitter called a node. This has a six mile broadcast radius and transmits the high speed data as packets of information each carrying a special address.

Only the aerial with the right address for each data packet can decode the signal.

Businesses will be able to receive and transmit data at speeds up to 160 times greater than that attainable in ordinary leased telephone lines, DCC claims.

The company says that the new system will make the often talked about concept of electronic offices communicating automatically with each other a practical, and economic, proposition.

It will pave the way for high speed facsimile transmission—with dozens of pages sent over the network a minute—plus high speed computer data and video-conferencing.

### Detector

THE MEASUREMENT of liquid and solid levels in vessels and tanks to a height of 33 feet is possible using an ultrasonic detector from Fischer & Porter of Worthington, Cumbria.

The detector is made up of two units: a transmitter and a transponder. The transponder generates the high-powered ultrasonic sound waves within a span of 2 ft to 22 ft. More information on 0946 830611.

### Twisters

A NEW range of "Twistronic" two for one twisters and direct cabling is now available from Cobble Muschamp, a division of Cobble Blackburn.

The machines in 400mm and 600mm gauges are intended for use with large format supply packages in the medium to coarse count areas of synthetic staple and filament and for fine to coarse denier industrial yarns. More from 0254 55121.

## Fight back on screwdrivers

BRITAIN is fighting back on the screwdriver front. This is the patriotic message from the Desoutter Group of London which intends to seize a part of the market for torque controlled electric screwdrivers.

It may not be generally known but apparently, the "growing market" for such a tool is dominated by one Japanese manufacturer. But his is manually switched with the clutch operated by a mechanical spring-loaded system. When

the spring can no longer hold the clutch against the power of the motor one of the two sections it holds apart makes contact with a micro-switch which brakes the power supply. But those devilishly clever Desoutter people have designed a screwdriver with electronic control. This ensures that when the preset torque has been reached the clutch disengages and the motor is switched off—instantly.

I suppose that if you happen

to be a collector of screwdrivers, ancient and modern, you will understand all this. It may interest you to know that the Desoutter model can deal with all screw materials (non-ferrous, steel, ceramic and most kinds of plastic). All can be fastened to a required preset torque consistency of between 0.4 and 3.4 Nm. It also has a noise level of less than 69 db (A).

Patriotic screwdriver buyers should phone Peter Tobitt on 01-205 7650. NIC

## Straw boilers from Denmark

Two boilers rated at 250,000 BTUs and 400,000 BTUs have been developed by the Danish Institute of Technology for firing by straw bales, but will also use household refuse or wood. Exence of Aldershot has sold distribution rights in the UK and the Irish Republic.

The first installation in the UK will be completed at the end of this month. Full details from Execco (07356 6588).

## Anti-lock braking system

LUCAS GIRLING is the first, and so far only maker to win UK Government vehicle type approval for an anti-lock braking system for trucks, buses and other heavy commercial vehicles.

Crane Fruehauf, the leading trailer maker, with which Lucas has been collaborating, has also received comparable approval for a trailer fitted with a similar device for controlling air-actuated braking systems.

The Skidchek system is a logical extension of regulations that come into force for vehicles produced after October 1. Among other things these specify a load modulation system that provides balanced braking of the tandem axle whether the vehicle is laden or unladen via a load sensing valve.

The regulations also introduce a 0.4 second response in a two-line braking system and eight braking applications after the engine, which supplies compressed air, has ceased running, and still retain 50 per cent of air.

They do not, however, go as far as Skidchek in eliminating the "jackknifing" of articulated lorries and other manifestations of skidding. Lucas Girling claims that the extra £200 cost of the more advanced system recovered through reduced tyre wear and maintenance costs.

The original Skidchek system has been adopted by almost all fire services and oil company tankers, and more up-to-date versions are being built into new trailers and vehicles.

Crane Fruehauf has so far built about two dozen trailers with the Skidchek as original equipment, and Wallace Arnold has just taken delivery of six Volvo coaches.

Wallace Arnold had the first coach, Leyland Tiger, fitted with the anti-lock device. Approvals are awarded from Volvo Daf, Ford and Bedford with the two latter systems operating on hydraulic or air brake lines.

Among the basic elements of Skidchek are an electronic control module, a memory controlled relay valve, an exciter and monitor light. The exciter is a metal disc built into the axle hub which activates a sensor when wheel deceleration reaches a predetermined threshold.

Existing models are of analogue variety, but work is proceeding on a digital version that should eventually reduce the size to about a quarter as well as enhancing efficiency.

PETER CARTWRIGHT

## Associates Corporation of North America

A Gulf + Western Company

### Financial Highlights for the Nine Months Ended April 30, 1982

Nine Months Ended or at April 30,				Nine Months Ended or at April 30,			
1982	1981	Increase (Decrease)	%	1982	1981	Increase (Decrease)	%
(US \$ Amounts in Thousands)				(US \$ Amounts in Thousands)			
<b>Income before provision for</b>							
<b>Income taxes and unrealized foreign currency translation loss*</b>							
Foreign currency translation loss	\$ 104,346	\$ 85,532	22%	27,805	26,226		
Net income*	64,341	45,591	41	152,983	153,966	(1)	
Stockholders' equity	830,373	778,277	7	3,165	3,505		
<b>Finance receivables</b>							
<b>Commercial and Industrial</b>							
Financing	\$2,887,200	\$2,541,420	14	\$3,760,382	\$3,242,012	17	
Consumer Financing	2,689,812	2,873,250	(6)	1,369,614	1,923,717	(29)	
Diversified Services	437,275	345,497	32	338,159	304,820	11	
Operation	56,034,297	55,760,167	5	55,488,194	55,470,529		
Total Receivables	\$6,034,297	\$5,760,167	5				
<b>Unearned finance income</b>							
Percent of Retained Receivables				27.30%	26.22%		
Allowance for losses				152,983	153,966	(1)	
Percent of Net Receivables				3.16%	3.50%		
<b>Finance Volume</b>							
<b>Commercial and Industrial</b>							
Financing							
Consumer Financing							
Diversified Services							
Operation							
Total Volume							

\*During the third quarter of fiscal 1982, The Associates adopted the Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation," effective August 1, 1981. Under the new standards, the unrealized effect on The Associates' financial statements of translating assets and liabilities denominated in foreign currencies into United States currency is no longer included in the determination of net income. The accounting change decreased net income that would otherwise have been reported for the nine months ended April 30, 1982 by \$635,000. Financial statements for periods prior to August 1, 1981, have not been restated. For the first nine months of fiscal 1981, the Company reported an unrealized foreign currency translation loss of \$5.9 million.

### Consolidated Balance Sheet

	April 30,	
	1982	1981
	(US \$ Amounts in Thousands)	
<b>ASSETS</b>		
Cash	\$ 52,951	\$ 71,055
Marketable Securities		
Bonds and Notes, at amortized cost (market—1982, \$235,283,000; 1981, \$199,848,000)	\$ 265,500	\$ 231,782
Stocks, at market (cost—1982, \$5,249,000; 1981, \$22,239,000)	4,681	23,850
Total Marketable Securities	\$ 270,181	\$ 255,632
<b>Finance Receivables</b>		
<b>Commercial and Industrial Financing</b>		
Heavy-duty truck installment receivables	\$1,085,257	\$ 981,302
Other industrial installment receivables	1,344,794	1,003,304
Factored receivables and loans to factoring clients	151,832	150,653
Commercial loans	267,480	294,112
Wholesale short-term loans	117,837	112,049
Consumer Financing		
Real estate installment loans	1,610,174	1,385,760
Direct installment loans		
—Consumer operation	962,128	1,149,067
—Diversified Services operation	457,275	345,497
Other installment receivables	217,510	328,408
Total Finance Receivables	\$6,034,297	\$5,760,167
<b>Other Assets</b>		
Unearned finance income	(1,227,307)	(1,111,297)
Allowance for losses	(152,888)	(153,989)
	\$4,654,092	\$4,494,884
	322,040	302,112
Other Assets	\$5,299,264	\$5,123,713
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Notes Payable unsecured short-term</b>		
Reserve for Insurance Claims and Benefits	\$2,181,809	\$2,100,948
Accounts Payable and Accruals	135,031	151,681
185,164	172,619	
Credit Balances of Factoring Clients and Dealers	115,399	88,885
Long-Term Debt unsecured	1,871,488	1,831,083
<b>Stockholders' Equity</b>		
<b>Class B Common Stock, \$100 par value, 2,000,000 shares authorized, 1,000,000 shares outstanding</b>		
Common Stock, no par value, 5,000 shares authorized, 250 shares outstanding, at stated value	\$ 100,000	\$ 100,000
Paid-up Capital	47,057	47,057
Retained Earnings	287,581	283,515
Unrealized Foreign Currency Translation Adjustments	335	—
Unrealized Appreciation (Depreciation) of Marketable Equity Securities	(1,129)	1,160
Total Stockholders' Equity	\$ 630,573	\$ 778,277
	\$5,299,264	\$5,123,713

# يو ب اف

## U.B.A.F.

UNION DE BANQUES ARABES ET FRANÇAISES  
الاتحاد المصرفي العربي والفرنسي

### Balance sheet as at 31 December 1981

(French Francs)

	1980	1981
<b>ASSETS</b>		
Cash, issuing houses, Treasury, Post Office current accounts	885 546 000	1 406 404 000
Banks, financial institutions and corporations	15 273 222 000	23 090 632 000
Securities given as collateral or sold firm	185 721 000	187 360 000
Customers' credit accounts	5 024 786 000	7 234 573 000
Credit to customers	48 071 000	61 658 000
Customers' debit accounts	99 334 000	95 396 000
Chèques and bills for collection	737 242 000	935 157 000
Suspense accounts and sundries	11 071 000	—
Marketable securities	288 332 000	493 448 000
Investments in subsidiaries and associates	46 908 000	48 844 000
Subordinated loans	19 482 600	—
Fixed assets	—	78 132 000
Total assets:	22 617 707 000	33 608 028 000
<b>LIABILITIES</b>		
Issuing houses, Treasury, Post Office current accounts	3 298 775 000	3 902 953 000
Banks, financial institutions and corporations	14 871 183 000	23 928 688 000
Securities given as collateral or sold firm	803 399 000	1 222 800 000
Customers' credit accounts	1 571 531 000	2 033 163 000
Special savings accounts	17 687 000	1 899 000
Accounts payables after collection	99 334 000	95 396 000
Suspense accounts, provisions and sundries	824 331 000	1 191 114 000
Bonds	629 560 000	698 522 000
Subordinated loan issue	150 000 000	150 000 000
Reserves	65 523 000	80 051 000
Capital	250 000 000	250 000 000
Profit for the year	38 404 000	53 690 000
Total liabilities:	22 617 707 000	33 608 028 000

The Annual General Meeting held on April 29, 1982, at the bank's new head office 100 avenue Charles de Gaulle, Neuilly-sur-Seine, unanimously approved the balance sheet and accounts for the year ended December 31, 1981, which showed a net profit of FF 83,638,555 against FF 38,404,000 for the previous year.

The General Meeting decided to distribute a dividend of FF 27,000,000 against FF 22,500,000 in 1980. It unanimously ratified the appointment of Mr Bruno DINEZIO to the position of Director.

Mr Tanneguy de FEUILHADE de CHAUVIN resigned.

The General Meeting unanimously ratified the Board's proposal to renew for a further 3 years the term of office of the following members of the Board: Dr Mohamed Mahoud ABUSHAH, Banque Française de Commerce Extérieur represented by Mr Patrick HAZET and the Commercial Bank of Syria represented by Mr Hani HASLAN.

Pursuant to the resolution of the Extraordinary General Meeting held on the same day, the Board of Directors renewed the term of office of Dr Mohamed Mahoud ABUSHAH as Chairman of the Board for the duration of his position as Director.

هكذا من الأهل





Indian tea forecast down

CHAIRMAN of Tea Board Mr B. K. Gowami has repeated his earlier forecast that the Indian tea crop this season is likely to be short by at least 15m kilos compared with the past year's 550m kilos.

Britain eats more chicken

POULTRY meat sales reached a record £800m last year and it is now the most popular meat in Britain, according to figures published yesterday.

Copper recovery spurs producer price rises

THE RALLY in London Metal Exchange copper prices accelerated yesterday with the high grade cash quotation gaining another £26 to end the day at £783 a tonne.

U.S. farmers fear for Soviet pact

THE HARDENING American line on trade with the Soviet Union, dramatised by the departure of Secretary of State Haig, has seriously alarmed farmers who had hoped for a new long-term grain agreement between the two superpowers.

Agreement provides an essential framework to ensure remunerative returns to producers and fair prices to consumers. "To attain those objectives, the agreement provides for several institutional and financial arrangements including measures to intensify research and development on the uses of tin and to strengthen marketing through joint approaches for direct marketing and improvement of market intelligence information," it added.

Sugar market steadier

RAW SUGAR futures on the London market were steadier yesterday with trade buying lifting the October position by almost 87 above Monday's level.

DRIED FRUIT

WHEN AN American crop failure had caused prices for dried fruit in Britain three years ago to approach £1,000 a tonne, it seemed that after a decade of price-cutting among the big three suppliers—Australia, Greece and Turkey—the scene was at last set for a touch of consumer resistance.

Greece manoeuvres the market

against sterling. This year, with a crop of 72,000 tonnes and an export quota for Britain likely to exceed 12,000 tonnes, Australia is recovering some of its former volume dominance, and buyers who were dismayed at last year's fall in quality have hailed the present crop, now starting to reach the UK in quantity, as excellent.

Brazil may accept coffee pact changes

By Terry Povey BRAZIL has indicated that it may accept proposed changes in the new International Coffee Agreement according to delegates of the London meeting.

Natural rubber increases market share

GROWING EVIDENCE of an increased market share for natural rubber at the expense of synthetic rubbers is a positive sign for producers, Landell Mills Commodity Studies says in the latest issue of its bulletin.

American Markets

PRECIOUS METALS and copper recovered on a firmer tone in financial instruments and currencies. Coffee was higher on reports of a return of cold weather into Paris, Technical short-covering and arbitrage buying raised sugar and cocoa for some time.

LONDON OIL SPOT PRICES

Table with columns for Oil Type, Price, and Change. Includes Arabian Light, Iranian Light, and various products.

GAS OIL FUTURES

Table with columns for Month, Price, and Business Done. Includes August, September, and October.

BRITISH COMMODITY MARKET

Table with columns for Commodity, Price, and Business Done. Includes Copper, Tin, and Silver.

PRICE CHANGES

Table with columns for Commodity, Price, and Business Done. Includes Metals, Rubber, and Soybean Meal.

AMERICAN MARKETS

Table with columns for Commodity, Price, and Business Done. Includes Metals, Rubber, and Soybean Meal.

GOLD MARKETS

Gold rose \$71 to \$310.311 in the London bullion market yesterday. It opened at \$311.312, set a new high of \$310.75 in the morning, and closed at \$307.307.

LONDON FUTURES

Table with columns for Commodity, Price, and Business Done. Includes Tin, Zinc, and Lead.

COFFEE

Table with columns for Commodity, Price, and Business Done. Includes Arabica and Robusta coffee.

SOYBEAN MEAL

Table with columns for Commodity, Price, and Business Done. Includes various grades of soybean meal.

EUROPEAN MARKETS

Table with columns for Commodity, Price, and Business Done. Includes Wheat, Sugar, and Soybean Meal.

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PERSONAL FACT

MORE THAN 1,500 CHILDREN develop the disease every year. It is DIABETES. Join us - Help us Support us BRITISH DIABETIC ASSOCIATION.

LEAD

Table with columns for Commodity, Price, and Business Done. Includes Lead, Zinc, and Tin.

INDICES

Table with columns for Index Name, Value, and Change. Includes Financial Times, Reuters, and Moody's.

MEAT/FISH

Table with columns for Commodity, Price, and Business Done. Includes Beef, Pork, and Fish.

POTATOES

Table with columns for Commodity, Price, and Business Done. Includes various grades of potatoes.

ART GALLERIES

DMASHAW, 14, Old Bond St., W.1. Tel: 01-235 1111.

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WORLD STOCK MARKETS

Companies and Markets

NEW YORK

Table of stock prices for various companies in New York, including columns for stock name, price, and change.

Table of stock prices for various companies, including columns for stock name, price, and change.

Table of stock prices for various companies, including columns for stock name, price, and change.

Table of stock prices for various companies, including columns for stock name, price, and change.

Table of market indices including Dow Jones, S&P 500, and other regional indices.

Table of market indices for various countries including Australia, Belgium, Denmark, France, Germany, Hong Kong, Italy, Japan, Korea, and Singapore.

Table of market indices for various countries including Norway, Sweden, Switzerland, and South Africa.

Table of market indices for various countries including Brazil, Canada, and other international markets.

Wall St mixed at mid-session

Wall Street was mixed at mid-session. The Dow Jones Industrial Average picked up 3.39 points to 2,517.47.

Monday's Canadian Budget address, which left little hope of improvement in the business environment.

The Dow Jones Industrial Average, which picked up 3.39 points the previous day, was only 1.14 higher at 2,517.47 at 1 p.m. yesterday.

Analysts said some profit-taking appeared to be inhibiting the market's progress.

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Table of market indices for various countries including Australia, Belgium, Denmark, France, Germany, Hong Kong, Italy, Japan, Korea, and Singapore.

Table of recent equity issues with columns for issue price, amount, date, and stock details.

Table of fixed interest stocks with columns for issue price, amount, date, and stock details.

Table of 'RIGHTS' offers with columns for issue price, amount, date, and stock details.

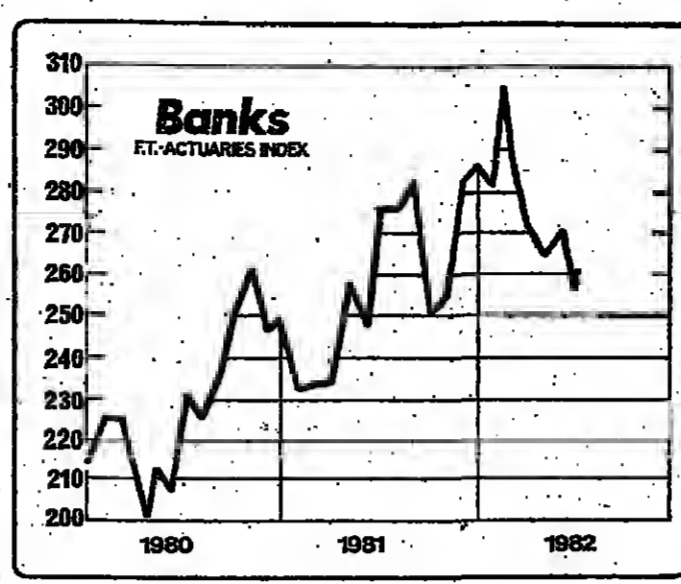
Table of active stocks with columns for stock name, closing price, and day's change.

Table of Monday's active stocks with columns for stock name, closing price, and day's change.

Table of rises and falls yesterday with columns for stock name, rise/fall, and same day's change.

Rail strike's suspensions give much-needed fillip without generating noticeable expansion in trade

Account Dealing Dates... The overnight announcement of the suspension of the national rail strike gave London stock markets a much-needed fillip yesterday without generating any noticeable expansion in trade.



while NatWest rose 10 to 420p... Composite Insurances made steady progress, Sun Alliance closing 10 higher at 74p and Eagle Star 4 up at 327p.

and eased 5 further to 465p... Proceedings in Tobacco were dominated by B&W which declined 11 to 430p following litigation after the Federal Trade Commission's objection to the group's U.S. Barclay brand.

FINANCIAL TIMES STOCK INDICES table showing various indices like Government Secs, Fixed Interest, Industrial Ord, etc.

HIGHS AND LOWS and S.E. ACTIVITY table showing price ranges and activity for various stock categories.

Leading Electricals took on a distinct better appearance... with GEC advancing 20p to a high of 965p ahead of tomorrow's preliminary results.

Johnson Group jump... Johnson Group featured with a jump to 285p before steadily falling back to close 45 up on the day at 283p.

BP on offer... British Petroleum, down 8 at 290p, were unsettled by the news that Soblo's Prudhoe Bay oil field will be reduced by just over 24 per cent.

Shippings again featured... Reardon Smith A, which gave up 7 for a two-day fall of 12 to 63p; the annual results are expected during August.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Large table of FT-Actuaries Share Indices with columns for Equity Groups & Sub-sections, Index No., Day's Change, and Year Ago.

NEW HIGHS AND LOWS FOR 1982

The following quotations in the Share Information Service yesterday attracted new Highs and Lows for 1982.

Table of New Highs and Lows for 1982 listing various stocks and their prices.

COMPANY INFORMATION FOR SALE advertisement with large stylized text.

Advertisement for McCarthy's international publications, featuring a silhouette of a person and detailed text about the service.

Table of Fixed Interest and Options with columns for price, index, and various interest rates.

CURRENCIES and MONEY

Dollar declines

The dollar weakened to thin foreign exchange trading, as operators took a very nervous view of the market. The level of business was also reduced, by book squaring operations towards the end of the half-year.

STERLING — Trade-weighted index 91.1 against 91.2 at noon, 91.1 in the morning, 91.1 at the previous close, and 90.5 six months ago.

DEUTSCHE MARK — EMS member (weakest). Trade-weighted index 126.0 against 124.7 on Monday, and 123.6 six months ago.

Other currencies and money market news, including mentions of the pound, yen, and various interest rates.

THE POUND SPOT AND FORWARD

Table with columns: Day's spread, Close, One month, Three months, % p.a. for various currencies like US, Canada, etc.

THE DOLLAR SPOT AND FORWARD

Table with columns: Day's spread, Close, One month, Three months, % p.a. for various currencies like UK, Ireland, etc.

CURRENCY MOVEMENTS

Table showing currency movements for June 30, including Sterling, Dollar, and other major currencies.

CURRENCY RATES

Table showing currency rates for June 30, including Sterling, Dollar, and other major currencies.

OTHER CURRENCIES

Table showing rates for other currencies like Argentine Peso, Australian Dollar, etc.

EMS EUROPEAN CURRENCY UNIT RATES

Table showing EMS European Currency Unit rates for various currencies.

EXCHANGE CROSS RATES

Table showing exchange cross rates for various currencies.

FT LONDON INTERBANK FIXING (11.00 a.m. JUNE 29)

Table showing FT London interbank fixing rates for 5 months and 0 months U.S. dollars.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Table showing Euro-currency interest rates for various currencies and terms.

EUROCURRENCIES

London rates slightly weaker. The Bank gave assistance of £13m in the morning, comprising purchases of eight...

MONEY MARKETS

UK clearing bank base lending rate 12 1/2 per cent (since June 8). Interest rates were generally easier in London yesterday...

LONDON MONEY RATES

Table showing London money rates for various currencies and terms.

MONEY RATES

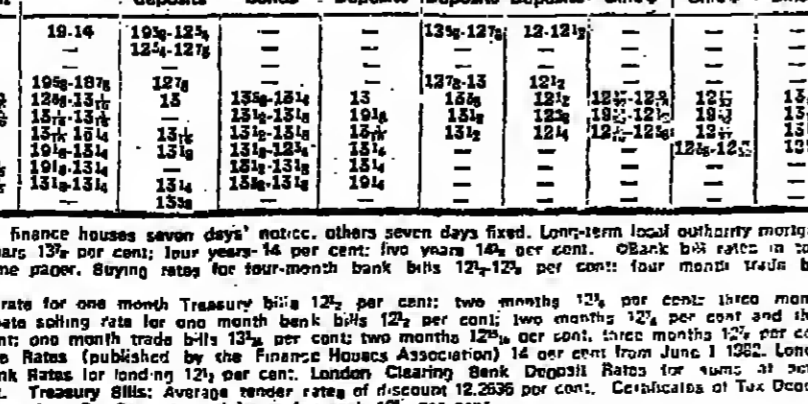
Table showing money rates for New York, Germany, and France.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

Large section containing numerous trust company advertisements, including Abbey Unit Trst. Mngrs, Cressant Unit Trst. Mngrs, and many others.

Three-Month Euro-D-Mark



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INSURANCES

Table listing various insurance companies and their financial details, including names like Abbey Life Assurance Co. Ltd., Crown Life, and others.

INSURANCE & OVERSEAS MANAGED FUNDS

Main table listing insurance and overseas managed funds, including companies like Life Assur. Co. of Pennsylvania, Norwich Union Insurance Group, and various international funds.

OFFSHORE AND OVERSEAS

Table listing offshore and overseas financial services, including companies like Adig Investment, Alamy Fund Management Limited, and others.

NOTES
Prices are in pence unless otherwise indicated and all figures are in pence unless otherwise stated.



# FT SHARE INFORMATION SERVICE

## LOANS—Continued

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## BANKS & H.P.—Cont.

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## CHEMICALS, PLASTICS—Cont.

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## ENGINEERING—Continued

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## BRITISH FUNDS

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## FOREIGN BONDS & RAILS

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## BEERS, WINES AND SPIRITS

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## DRAPERY AND STORES

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## HOTELS AND CATERERS

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## INDUSTRIALS (Misc.)

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## AMERICANS

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## BUILDING INDUSTRY, TIMBER AND ROADS

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## ELECTRICALS

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## Five to Fifteen Years

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## Over Fifteen Years

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## UNDATED

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## Index-Linked & Variable Rate

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## INT. BANK AND O'SEAS GOVT. STERLING ISSUES

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## CORPORATION LOANS

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## CANADIANS

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## BANKS AND HIRE PURCHASE

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## COMMONWEALTH AND AFRICAN LOANS

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## LOANS Public Board and Ind.

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

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Registered in England Number 202251

## Chemicals, Plastics

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## Engineering Machine Tools

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## Food, Groceries, Etc.

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

## Food, Groceries, Etc.

1982	Stock	Price	% Chg	Yield	Div
100	100	100			
100	100	100			

July 1 1982

INDUSTRIALS—Continued

Table of industrial stocks including companies like British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and percentage change.

LEISURE—Continued

Table of leisure and entertainment stocks including British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and percentage change.

PROPERTY—Continued

Table of property and real estate stocks including British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and percentage change.

INVESTMENT TRUSTS—Cont.

Table of investment trusts including British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and percentage change.

OIL AND GAS—Continued

Table of oil and gas stocks including British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and percentage change.

DAIWA SECURITIES logo and branding.

MINES—Continued

Table of mining stocks including Central African, Australian, and various international mining companies. Columns include stock name, price, and percentage change.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks including British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and percentage change.

SHIPPING

Table of shipping stocks including British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and percentage change.

SHOES AND LEATHER

Table of shoes and leather stocks including British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and percentage change.

SOUTH AFRICANS

Table of South African stocks including British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and percentage change.

TEXTILES

Table of textile stocks including British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and percentage change.

TOBACCO

Table of tobacco stocks including British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and percentage change.

Garages and Distributors

Table of garage and distributor stocks including British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and percentage change.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publisher stocks including British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and percentage change.

PAPER, PRINTING ADVERTISING

Table of paper, printing, and advertising stocks including British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and percentage change.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks including British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and percentage change.

PROPERTY

Table of property stocks including British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and percentage change.

INSURANCE

Table of insurance stocks including British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and percentage change.

LEISURE

Table of leisure stocks including British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and percentage change.

OVERSEAS TRADERS

Table of overseas trader stocks including British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and percentage change.

RUBBERS AND SISALS

Table of rubber and sisal stocks including British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and percentage change.

TEAS

Table of tea stocks including British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and percentage change.

MINES

Table of mining stocks including British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and percentage change.

REGIONAL AND IRISH STOCKS

Table of regional and Irish stocks including British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and percentage change.

OPTIONS

Table of options stocks including British Airways, British Petroleum, and various manufacturing firms. Columns include stock name, price, and percentage change.

NOTES

Notes section containing financial information, company announcements, and market commentary.

REGIONAL AND IRISH STOCKS

Regional and Irish stocks section containing a list of stocks and their prices.

OPTIONS

Options section containing information about various options contracts.

3-month Call Rates

3-month call rates section containing interest rate data.

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## PLO STAYS IN CITY AS WITHDRAWAL TALKS CONTINUE

# Beirut delay irritates Israel

BY DAVID LENNON IN TEL AVIV AND JAMES BUCHAN IN BEIRUT

ISRAEL is growing increasingly impatient with the failure of Mr Philip Habib, the special U.S. envoy, to persuade the Palestine Liberation Organisation (PLO) to lay down its arms and leave Beirut, where 6,000 guerrillas have been under Israeli siege for more than two weeks.

Officials in Jerusalem said yesterday that the PLO was delaying to try to prevent a threatened final Israeli assault on their last stronghold. They accused Mr Habib of spreading false optimism about the progress of his peace talks with the Lebanese authorities.

The PLO was constantly adding conditions to its prospective withdrawal from the Lebanese capital, Israeli officials said. They complained there was no basis for optimism about a PLO withdrawal, which Mr Habib had suggested to Jerusalem on Monday.

One official remarked cynically that the envoy might succeed in getting the PLO out

of Beirut by diplomatic means. Just as he got Syrian anti-aircraft missiles out of the Bekaa Valley, Mr Habib failed in that mission last year, after persuading Israel not to attack the missile batteries.

Yesterday the threat of Israeli attack hung over West Beirut and its 500,000 inhabitants, despite further apparent concessions by the Palestinians in the city. Having agreed in principle to leave Beirut, the PLO appears to be trying to secure an honourable withdrawal. The Palestinian leaders softened yesterday their demand that the Israeli forces withdraw three miles from Beirut before the former would leave. Now there was mere insistence on "simultaneous" but otherwise unspecified disengagement.

However, officials close to the negotiations are anxious at what they fear is growing Israeli impatience at the Palestinian counter-demands. The tortuous process of negoti-

ation involves Palestinian points being transferred via Lebanese negotiators and U.S. officials led by Mr Habib, to Israel.

There remains the question of where the Palestinians will go. With negotiations at a snail's pace, Israel's faith in Mr Habib's ability to budge the PLO is fading. There is a growing feeling that Israel will soon have to decide on a military operation to eliminate the PLO in Beirut.

Gen Ariel Sharon, Israeli Defence Minister, told parliament yesterday that the army could finish off the PLO forces in Beirut "but we are not warmongers." That being so, he said, Israel had given the PLO time to leave the city.

Israel is insisting that all the guerrillas leave Beirut. It has consistently rejected, in public at least, all efforts by the PLO to make conditions for withdrawal, Jerusalem has said it will not agree to the PLO keeping a political office in Beirut

after evacuation, nor to symbolic Palestinian units being incorporated into the Lebanese army.

Speaking at the opening of a Parliamentary debate on the scope and aims of the war, Gen Sharon said that Israel's "just, defensive war in Lebanon" had raised his hopes that "the day is not far off when a triangle of peace will be created on the shores of the Mediterranean—a Lebanon of Israel, Egypt and Lebanon, with open borders from Beirut through Jerusalem to Cairo."

The defence minister said that the PLO's moment of truth had arrived, because "we are determined that the terrorist organisation will not continue to exist." He expressed the hope that, with the destruction of the PLO it would be possible to reach agreement on autonomy for the Palestinians in the occupied West Bank and Gaza Strip.

Further aspects, Page 6

## Pick-up truck launch by Ford

By Kenneth Gooding, Motor Industry Correspondent

FORD today launches in Britain a one-tonne pick-up truck built by its South African subsidiary. The company expects to capture at least one-third of the UK pick-up market, which has been dominated by Japanese vehicles.

The company says the growth in pick-up sales in Britain makes the sector impossible to ignore, but there is not enough demand to justify UK production.

UK sales of one-tonne pick-ups rose from 7,171 to 9,006 last year, the only part of the car or commercial vehicle markets to show any advance.

The Mazda pick-up was the best seller, with 39 per cent of total sales, followed by the Datsun model and the Bedford KB26, built by Isuzu in Japan and imported by Vauxhall, the General Motors subsidiary.

The price of Ford's pick-up, the P100, excluding VAT, delivery and number plates, is £3,720 compared with the £3,540 charged for the Mazda pick-up. A version with better interior trim, the P100 L, costs £3,890.

In addition to the two basic models, Ford has been operating a "flexible" pick-up range, comprising body builders and accessory suppliers. A glass fibre loadbox canopy is available and a tipper body and towing bar are under development.

Some 1,500 vehicles are with dealers for today's launch. The P100 will be sold through Ford's 400 car and van main dealers and 135 truck specialist dealers.

The introduction has been timed to take advantage of the peak selling month, August, when about one quarter of all pick-up registrations in Britain take place. Ford expects that 4,000 of the new vehicles will be registered in the full year.

The P100 bears a strong visual resemblance to the Cortina car, but Ford says 75 per cent of the components were specifically developed for heavy duty pick-up application.

The power unit is Ford's 1.6 litre OHC petrol engine already used in the Cortina, and in down-rated form, in the Transit van.

Ford says 35 per cent by cost of the components are sourced from UK Ford plants, including electrical components, some body panels and the engine.

Ford expects to face protests from anti-apartheid demonstrators at some showrooms today. The company says its recent record in South Africa is better than most.

Ford will import about 6,000 of the South African pick-ups during the next 12 months.

## Weather

UK TODAY

DRY and sunny but cloudy with rain later.

London, S, E, N England, Channel Islands, N Wales, Lake District, Isle of Man, S Central Scotland, S W Ireland.

Sunny, rain later. Max 18C (64F).

SW England, S Wales. Cloudy with rain. Gales in places. Max 18C (64F).

Central Highlands, NE, NW Scotland, Orkney, Shetland. Sunny, isolated showers. Max 15C (59F).

Outlook: Unsettled with rain in most places. Becoming cooler.

WORLDWIDE			
	Y day	Y day	Y day
	midday	midday	midday
Algeria	25	27	28
Amman	21	20	21
Athens	32	30	28
Bahia	26	27	28
Bangkok	26	27	28
Bombay	26	27	28
Buenos Aires	18	19	20
Calcutta	26	27	28
Cairo	26	27	28
Cardiff	17	18	19
Colon	26	27	28
Delhi	26	27	28
Dublin	17	18	19
Hong Kong	26	27	28
London	17	18	19
Lyons	17	18	19
Manila	26	27	28
Medan	26	27	28
Montreal	17	18	19
Mumbai	26	27	28
Nairobi	26	27	28
Osaka	26	27	28
Paris	17	18	19
Rangoon	26	27	28
San Francisco	17	18	19
Singapore	26	27	28
Sydney	17	18	19
Taipei	26	27	28
Tokyo	26	27	28
Yokohama	26	27	28

## Inmos may need extra £5m to £10m injection

By John Elliott, Industrial Editor

AN EXTRA £5m to £10m working capital is likely to be needed during the coming year by Inmos, the National Enterprise Board's controversial microchip company, to enable its factories in the U.S. and South Wales to reach profitability.

At the same time, the NEB, part of the British Technology Group, hopes to sell its 70 per cent stake in United Medical Enterprises, an international hospital management company.

The NEB believes it could raise some £30m from the sale of its interest in UME, which is developing private sector hospitals in the UK and the Middle East.

A management buy-out has been discussed, but a £30m price tag would probably rule this out. The minority shareholders are Orion Bank, London Trust and Commercial Union.

Inmos has already been allocated nearly £100m of Government grants and guaranteed loans through the NEB. Tomorrow it is launching ranges of microchips, including its 64K dynamic random access memory chip (which can store 64,000 pieces of data on a single chip) which it hopes will firmly establish it in international markets.

The company says it is selling all the chips made by its U.S. factory in Colorado Springs, which is now meeting its production schedules. Test production has started at its South Wales factory.

But the NEB expects it will need an extra £5m to £10m next year. Ideally, this would be provided by an industrial partner. However, Sir Freddie Wood, chairman of the NEB, said yesterday he would be prepared to recommend the Government to provide the funds if Inmos stayed on its current course and if other funds were not available.

This would be a controversial move but would probably get a sympathetic hearing from Mr Patrick Jenkin, Industry Secretary. Sir Freddie has ordered an urgent outside study of Inmos markets. He said that a shortfall of 10 per cent for such a venture was "not that much."

The NEB has been advised by Lazards that financial institutions could not be expected to invest at this stage. The NEB might recommend the company to sell and lease-back its U.S. factory to provide the money.

NEB makes £5m loss, Page 10

## Barclays

clear when the proposal was announced on May 13 that if necessary the bank would ask its pensioners to come in.

The move to open about one in five of its branches on Saturdays reversed a decision taken 13 years ago by the major clearing banks.

Mr Quinton, said the main aim was to attract deposits and compete with building societies. Building society deposits were £56.4bn last year against £41.2bn for the banks, he said.

Mr Quinton thinks building societies take about 30 per cent of their deposits on Saturdays, but other bankers have challenged this estimate.

## UK insurance industry reports £613m world underwriting loss

BY ERIC SHORT

UNDERWRITING LOSSES of Britain's insurance industry on worldwide general insurance business rose last year from £339m to a record £613m.

It expects the losses could be higher in 1982, following the bad weather last winter and because of the slow economic upturn.

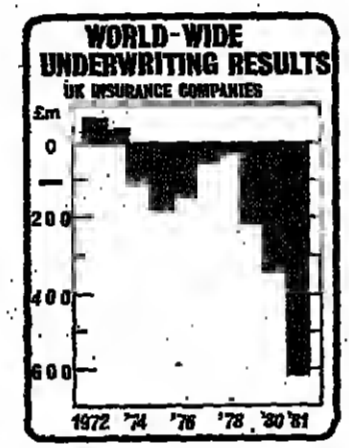
However, the industry lifted its net trading surplus by nearly 4 per cent last year from £792m to £822m because of a 27 per cent increase in its investment income from £1.13bn to £1.43bn.

The results were announced yesterday by the British Insurance Association. They emphasise the growing importance of investment income to UK insurance companies in current tough trading conditions.

Keen competition and the continuing worldwide recession meant premium rates have been kept down and business has not expanded significantly. Companies have been unable to collect sufficient premiums to meet the cost of paying claims and to cover running expenses.

The deficiency has had to be covered by investment income. This has remained buoyant because of continuing high world interest rates.

Mr Peter Dugdale, is BIA's retiring chairman, is gloomy about prospects for 1982. The storms which swept the UK last winter cost insurance com-



panies at least £250m in claims. Competition is becoming fiercer, especially for commercial and industrial business, and world economic recovery is slow.

Mr Dugdale expects higher underwriting losses worldwide this year, although countries such as Canada and Australia could show improvement.

He notes the trend towards lower interest rates which would brake investment income growth, and does not expect much rise in the trading surplus of UK insurance companies this year.

Of the 1981 results, underwriting losses in the U.S. rose from £55m to £44m, while those in the rest of the world increased from £179m to £371m. The only bright spot was the UK, where underwriting losses were cut from £67m to £38m because of exceptionally favourable motor business conditions.

General insurance funds of UK insurance companies increased nearly 17 per cent by the end of last year to £15.8bn.

## San Francisco outlaws handguns

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

SAN FRANCISCO yesterday became the first major U.S. city to ban the owning of private handguns. The authorities immediately admitted, however, that enforcement is likely to be a major problem and the law will certainly be challenged in court by the gun lobby.

Passage of the San Francisco law follows others, not always totally successful, attempts to ban handguns—or "Saturday night specials"—around the country, as U.S. public opinion has slowly begun to revert against rising crime figures and senseless murders.

The ordinance, proposed by Mayor Diane Feinstein, makes ownership of a pistol a misdemeanor punishable by up to 30 days in prison and a \$500 fine. There will be a 90-days grace for pistol owners to dispose of weapons.

Rifles and shotguns are not covered by the ban, and there are many exemptions for police, military and security personnel, gun collectors, private investigators, licensed target shooters and private store owners who obtain police permission.

The district attorney has said he will not prosecute offenders until the constitutionality of the ban has been established. The U.S. constitution, somewhat ambiguously, guarantees the right to bear arms.

The ban nevertheless represents a major symbolic step forward for the advocates of gun control. The first city-wide ban was ordered in Morton Grove Illinois, last year, and the idea has spread, although bans do not always lead to many guns being turned in.

In August 1980 New York City passed a law controlling hand guns, but left open the possibility of private citizens acquiring them legally with a permit. In much of the U.S. it is alarmingly easy to buy a gun—even by mail order.

Opponents of the controls gained a much publicised victory earlier this year when Kenneth Georgia, a suburb of Atlanta, passed a unanimous ordinance requiring every male head of household to own a gun and ammunition.

The National Rifle Association, leading voice of the gun lobby, said the San Francisco law would "make criminals out of thousands of law-abiding citizens." Opponents have claimed it will open the door to illegal searches of private homes—although the authorities have said they will not try to retrieve weapons this way.

## Train drivers' strike Continued from Page 1

essential element in modernising railway working practices in a modern railway.

Aslef's fierce resistance to flexible rostering has already led to 17 days of strikes earlier this year which cost BR about £100m.

The union said the strike decision was in accordance with the policy reaffirmed by its annual conference last month to retain the guaranteed eight-hour day which dates from a

1919 agreement, and not allow any worsening of members' conditions of service.

The strike decision is the more surprising since before they heard of it, senior BR officials were standing by yesterday afternoon for what they believed would be a positive reply from the union.

This would have provided for the new shift to be worked as an experiment throughout Scotland, except for a small number

of depots in Glasgow, while a simultaneous experiment on the basis of alternative Aslef proposals would have been worked by drivers in another, as yet unspecified, part of the country.

If Aslef had accepted the compromise the rosters would not have been imposed from the weekend. However, the strike decision may have been provoked by BR making it clear that it wanted a decision on the compromise by tonight.

## French cabinet changes expected

BY DAVID HOUSEGO IN PARIS

M PIERRE DREYFUS, France's Industry Minister, is likely to step down today in the first cabinet reshuffle since the legislative election of June last year. The changes are not intended to reflect any change of direction in government policy.

The other main casualty is likely to be Mme Nicole Questiaux, minister for social security and the senior woman in the government. She has failed to make much public impact and ran into damaging publicity last year for allegedly bowing to pressure from the Communist CGT union to secure the resignation of a senior social security official, who later committed suicide.

M Dreyfus, 75, has been expected to resign for some time. He was brought into the ministry as a former head of Renault in an effort to reassure industrialists apprehensive about the government's lack of experience and its interventionist leanings.

He has found the job—one of the toughest in the government—exhausting for a man of his age. It has increasingly been said that he was failing to put his mark of the development of industrial policy.

M Jean-Pierre Chevènement, Minister of Research, was being tipped last night to take over some of M Dreyfus's responsibilities.

M Jean Le Garrec, Minister for the Extension of the Public Sector, who was responsible for

implementing the nationalisation programme, is also a promotion candidate.

Speculation about the future of M Laurent Fabius, Minister of the Budget, also surfaced last night after he had been to see M Pierre Mauroy, the Prime Minister, and President Francois Mitterrand. M Mitterrand met M Mauroy yesterday evening, apparently to finalise the changes.

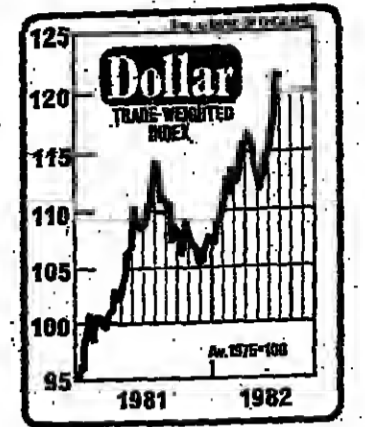
M Fabius is close to M Mitterrand, but he has long been at odds with M Jacques Delors, the Finance Minister.

A more substantial cabinet reshuffle is unlikely to take place until after M Mitterrand has assessed the results of the post-devaluation stabilisation measures.

## THE LEX COLUMN

# The underwriting on the wall

Index rose 7.8 to 552.0



The official line of the British Insurance Association is that excess capacity and, in some cases, irresponsible underwriting practices are seriously affecting the profitability of international general insurance business. Thus the worldwide underwriting loss by BIA members aggregated £613m in 1981, against £339m the year before. Yet the fact is that investment income rose more than fast enough to compensate, and the net surplus actually improved from £792m to £822m. Mean-time general insurance investment assets at market value rose from £13.6bn to £15.8bn. For all their complaining, British insurance companies do not appear to be in any imminent danger of going out of business.

What is undoubtedly true, however, is that conditions are getting tougher. The generally cosy position of British insurers in the domestic market is now being threatened, especially in the commercial classes where words like "stupid" and "unacceptable" were being used yesterday by the top BIA officials to describe the new level of premium rates.

One reason for the shakeout in this sector is that newcomers in the UK market can pick up his competitors at low rates and reinsure them at what are alleged to be the still more ludicrously uneconomic levels ruling on the international reinsurance market. The newcomers thus need not bear any insurance risk (though on some occasions the state of health of the reinsurance market, they may be hearing a credit risk). Competition in UK personal insurance lines, however, still appears to be at a reasonably gentlemanly level.

## Sunlight/Johnson

Johnson Group Cleaners has been looking ripe for a takeover ever since the 1980 report and accounts drew attention to the replacement cost value of its assets. Over the past three years, its annual profits have been stuck at £4m pre-tax while the share price has bounded

The eventual offer has emerged from an unlikely source. Sunlight Service Group is capitalised in the market at around £11m, roughly one third of what it is offering for Johnson. Its statement that "Johnson shareholders will receive immediately over 50 per cent of the combined equity" is a disingenuous way of describing an audacious reverse takeover.

Sunlight shares dropped 5p

yesterday to 91p, valuing Johnson's equity at a 10p premium to the closing price of 86p. On a pro forma basis, the deal would leave Sunlight with a very lopsided balance-sheet. Tangible shareholders' funds of around £12m would compare with net borrowings of about £16m and convertible loan stock totalling almost £7m.

Sunlight plans to change all that. Its vague promise to "do its best to minimise the number of redundancies" is a none too subtle hint that asset sales are in the pipeline. Some of Johnson's 650 retail outlets were last revalued in 1983 and the group's current cost net worth of £53.3m must give a better idea of its value than the historic figure of £22.5m.

Johnson has failed to make its retail assets work since a contested bid from Skechley, aborted after a Monopolies Commission reference in 1977, miraculously lifted earnings off their previous plateau. Its sales per outlet are roughly 30 per cent lower than at Skechley.

Johnson's shareholders could well hold out for a higher offer, however, and it is hard to see how Sunlight can produce much more. In an industry so bid-prone as laundries, other companies must be running Johnson through their calculators.

## Treasury questions

What Chancellors of the Exchequer do not say is often quite as enlightening as what they do say, and what they intend to say but then think better of can be best of all. Last Friday Sir Geoffrey Howe showed virtuosity in a written answer to a searching question from Sir Brandon Rhys Williams, renowned throughout West London as an authority on non-deposit liabilities. In a

few brief sentences the cello ranged through coupon bonds, overwriting local authority borrowings, the philosophy of control. But some copy statement contained the remains of a paragraph was meant to be re-created. Fortunately, the rest of Chancellor's argument clear that it is quite recreate the missing 1

The idea of mopping non-bank private deposits by issuing amounts of Government and keeping the pro the National Loans only useful from a point of view if the deposits do not count a

At the moment they small £2m or less the question does not the new rules the possibility of NLF measured in billion while you are about it, declare that the rest public sector's deposits money either? "Not that is, in the sense farming part of ster the wider definition non-bank excludes public deposits.

It seems to have a proposal that the C decided not to mention the subject had sufficiently explored a public airing. Perhaps felt that to introduce a marginally flattening ment to sterling M3 after last November's tion would smell bad.

There is a theoretical cation for arguing the sector deposits are more demoralised. It is we that, cash limits or no, penalty of the public spend money bears no whatever to the amount it happens to hold.

Another question is the NLF balances for the PSBR, onlent to the England. In practice likely to be used to ex Bank of England's balanc and give it more to operate in the money

In the long term, the NLF balances co on a more sinister s least insofar as the market is concerned. The principle of running a tral government balanc established, placing th the clearing banks an them as a direct monetary management a step away. Road v Whitehall today; a by Lombard Street in 1980

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